

THE HANDBOOK SERIES

SELECTED ARTICLES ON
PROBLEMS OF LABOR

COMPILED AND EDITED BY
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WITH AN INTRODUCTION BY
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"MANAGEMENT AND MEN," ETC.

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EXPLANATORY NOTE

The literature concerning the problems of labor is voluminous and recently there has been published in periodicals, books and reports, a good deal of excellent material which throws much light on these problems. It is the purpose of the compiler and editor of this handbook to present the best of this recent material in as concise a form as it is possible to adopt in a single volume.

The problems of labor are many and it would take several volumes to cover the subjects in full detail. This handbook is a summary which will prove useful as a guide for all students of industrial relations.

When used with the handbooks on Employment Management, Modern Industrial Movements and the others in the series dealing with labor, the reader will find he has the nucleus of an industrial library with the best thought on the subject made easily available.

DANIEL BLOOMFIELD.

January 22, 1920.

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SELECTED ARTICLES ON PROBLEMS OF LABOR

INTRODUCTION

The aim of this volume is to present a useful and well-organized body of material dealing with the principal topics in what we have commonly learned to style the labor problem.

The title of this book, it will be noticed, is not *the* Labor Problem, but the Problems of Labor. And in this circumstance (it is not an accident) lies an important suggestion.

Careful observers of labor conditions know that there is no such thing as a simple labor problem. There are labor problems. These problems are many, but they lend themselves to a certain degree of definite grouping.

Now without some attempt at analytical grouping or an arrangement of the main topics of importance in this field, there is the danger, as is frequently manifest in public discussion of the subject, of a confusion of terms. One man speaks on the "Labor Problem," and he deals with just one phase of trade union activity. To his mind, that sums up the labor problem as he sees it, but his auditors remain unsatisfied. Another, on the same subject, deals only with one phase of a possible "solution" of the labor situation. In the absence of clean-cut definition of terms to start with he goes on to present what is dangerously like a panacea.

No man who is aware of the manifold phases of the labor situation could lend himself to the advocacy of specifics in industrial matters. Simple remedies in labor relations are for the simple minded who view the action taking place through a knot-hole in the fence; they won't do, for those who pay the price of admission and get a full view of the complications and many sided aspects of the matter.

The price of admission, it should be said, is earnest study of the subject, a willingness to spend time and energy on it, and a

realization of its overshadowing importance. It is this importance which justifies the very best attention and study that can be given, and condemns in advance oversimplified, proprietary schemes advertised as sure remedies for industrial ills.

A most encouraging fact in the present situation as it affects our country is the large and growing number of industrial executives, and students of labor questions who have definitely turned their backs on panaceas and are approaching all industrial questions with what might be called the engineering sense. By this I mean that attitude of mind which believes that all decision and action must be founded on carefully organized data, on assemblage of the best available material and information, and on a reasonably close acquaintance with the successes and failures that have attended various experiments in labor relations.

Equipped with such knowledge, the field of labor problems, takes on a new meaning.

A wide range of interests opens up, more than one method or formula seems to be feasible. There is a challenge to resourcefulness, human insight, and constructive imagination. Capable executives welcome such a call on their intelligence. There is something in it of that quality that they have learned to meet in other phases of their administrative work. They have made up their minds, being men of capacity, that dealing with questions of human nature in industrial organization could not be an easier task than settling any other problems in their business experience.

So with a grasp of the size of their job, they turn to serious study of its elements. And this indeed is the typical attitude of all earnest students of labor problems **whether their field be** academic, or industrial and commercial. They distrust glibness, facile prospectus, specious cure—also—they hold fast to the hard realities the chief of which is persistent thinking on the problem, or rather group of problems.

To this commendable end of sober, persevering study of the labor situation this book is a contribution. It has organized the necessary data under logical headings. While it does not pretend to have exhausted the subject, something a single volume could not do, it presents from the most authoritative source, various aspects of labor questions and experiments in labor relations which at the present time are of the greatest interest to the largest number of persons.

It is my conviction that a collection such as this is, representing all points of view is of more value than a book by one author or representing one point of view can possibly be, and that a careful reading of this book will make good return in a broader grip on the subject, and possibly in pointing the way along which intelligent experimentation holds out a promising measure of results.

January 22, 1920.

MEYER BLOOMFIELD.

GENERAL

THE CENTRAL PROBLEMS¹

The first problem of reconstruction is the *Business Man*. As Brooks Adams said four years ago, in his impressively conservative book on "The Theory of Social Revolutions," the modern business man—"capitalist," Mr. Adams calls him—has been evolved under "the stress of an environment which demanded excessive specialization in the direction of a genius adapted to money-making under highly complex industrial conditions," to which "money-making attribute all else has been sacrificed," so that he "thinks in terms of money more exclusively than the French aristocrat or lawyer ever thought in terms of caste." With this socially blind and for the present politically powerful class, our country must reckon thoughtfully and justly. To the extent that reconstruction solutions make it necessary to subordinate accustomed proprietary interests to justice and fair dealing, uncompromising opposition must be expected from all business interests that are rooted in or affiliated with monopoly.

The second problem of reconstruction is *Labor*. We have become so habituated to thinking of labor exclusively in terms of "hiring" and "firing" and "wages" and "labor turnover," and "lower classes," that we neglect vital distinctions. We must learn to realize that labor is the antithesis of idleness, not of capital or business, not of industrial investment, leadership or management. It ranges all the way from the most impoverished worker to the most prosperous manager of work, in so far as their work is socially useful. When, therefore, we think of Labor as wage-working classes in contradistinction to employing classes, we find ourselves in a dizzy whirlpool of thought—the so-called "conflict of labor and capital." But since we must take the public mind as we find it, we shall have to face the labor problem as a conflict between employing classes and wage-

¹ By Louis F. Post. Everybody's. 40:60. February, 1919.

working classes. Yet we may think of the former as composed of useful workers as well as privileged idlers, and of the latter as a class of which some are as parasitical as the idle rich, though less expensive to society. We must not forget, either, that all of us depend upon the wage-working class for a living. This is an impressive fact which the "labor shortage" in war time has emphasized. We must realize, too, that all wage-workers depend for work upon working opportunities which employing classes control—many of which they control arbitrarily, unjustly and destructively.

Those two problems are factors in every other problem of reconstruction. If legitimate and useful business interests continue their alliance with privileged and harmful business interests, or if wage-working interests continue to be dealt with as if the relationship of Business to Labor were one of master class to working class, then the other reconstruction problems will, of necessity, be inefficiently and dangerously dealt with. But if reasonable solutions of the business-man problem and the labor-class problem are accepted, other reconstruction problems will almost solve themselves.

The more conspicuous among the subsidiary problems may be summarized about as follows:

(1) *Collective bargaining* between organized business and—organized labor. This would lead to reasoned-out and cooperative adjustments of labor disputes.

(2) *An open thoroughfare to natural resources* for all workers. Their socialization in permanent and convenient locations under assurances of profitable and congenial work, such as government could wisely give, would solve a multitude of reconstruction problems; for it would automatically maintain the general supply of employable workers at a level likely to prevent unreasonable exactions by Labor and oppressive exploitations by Business.

(3) Perpetuation of *public ownership* of the postal, railroad and telegraphic service, and extension of the principle to all other utilities which emanate from the public in order to be operated for the public. This would subordinate to common uses those national agencies of common service which have been too long at the mercy of money-making specialists.

(4) *Socialization of the social value of all privately owned natural resources.* This would put an end to capitalistic

PROBLEMS OF LABOR

monopolies of water-power, of oil and other mineral deposits, of natural forest growths, of unused agricultural and grazing areas, and of city sites. For those resources we are indebted to nature, not to financial legerdemain; and for their values we are indebted to social progress, not to antique ancestors. It would also abolish, or at least greatly lighten, the burdens of taxation on useful business operations.

Other reconstruction problems confront us. Some may be different in form of statement, but in substance most of them differ hardly at all from those enumerated above. Whatever they may be, however, there are few, if any, but will glide into their places without much friction and be solved with a minimum of confusion if the enumerated problems are dealt with in social good faith and with administrative intelligence.

FUNDAMENTALS OF THE INDUSTRIAL PROBLEM¹

Increased production, increased saving, increased confidence—these are the three keys to the whole industrial problem.

Production may be hampered either in pursuance of a deliberate policy, or simply by the use of inefficient methods. The interest of Employers, as a general rule, is to increase output. the danger of over-stocking being met by improved distributive organisation and the opening up of new markets. Cases of restriction for the sake of keeping up prices occur mainly in connection with monopoly products, and the problem of counteracting the influences which make for restricted output in these cases deserves a more careful study than has yet been given to it. There is also a tendency, perhaps unconscious, on the part of some employers to throw obstacles in the way of increased output due to the exceptional efficiency of employees. They would rather have a smaller output produced by men receiving wages not above the customary limit than an increased output produced by men earning exceptionally high wages. This policy is not only unjust to the men concerned; it is shortsighted and uneconomic from the point of view of the employer's own interests. On the other hand, the interest of the individual em-

¹From Garton Foundation Memorandum on the Industrial Situation after the war. Rev. ed. January, 1919. pp. 129-55.

ployer in maintaining a high standard of quality cannot be taken for granted, so long as large profits can be derived from the sale of inferior goods. Stronger action on the part of trade associations, and more general education of the purchasing public in standards of value, are needed both in the national interest and in that of producers of high class goods.

Much of the limitation of output on the part of employers arises from inefficiency in management—conservation in methods, the retention of badly planned works and out-of-date plant, bad organisation, neglect of scientific research, the presence of “deadheads” on the office staff. There is some reason to hope that the experiences of the war and the keenness of competition after it may lead to greater attention being paid to these points.

The limitation of output by labour arises partly from the legitimate desire to restrict the hours of work in the interest of health, education, family life and enjoyment. These are considerations of social welfare which cannot be set aside. We must look for greater production rather from increased efficiency than from an increase in the number of hours worked. There are, however, large sections of labour by whom a further limitation of output is deliberately practised in the assumed interests of their class as a whole. In some cases the motive is the honest but mistaken belief that the less work each man does the more there will be to go round. “Work” is regarded as an exhaustible fund, or at the best as a diminishable flow, and it is assumed to be in the interests of his class that each man should “use up” as little as possible. The fallacy lies in the conception of an inelastic “wages fund.” Wages come out of the stream of products, and other factors remaining constant, the distribution of wages cannot be widened except by an increase of the stream. In the case of trades in which employment is irregular and demand uncertain, the temptation to slacken work as a job nears completion is easy to understand, but the results of the policy are too wasteful to be contemplated with satisfaction. The remedy must be sought in a better organisation of the industries concerned which will give the workman greater security of tenure, and remove his fear of unemployment or relegation to lower-paid work as a result of exercising his maximum effort. A further cause of limitation of output lies in the natural differences of individual capacity. The workers believe that if each man were allowed to produce to his full

power, the minimum standard demand by the employer would be based on the performances of the quickest and most skilful and a "speeding-up" process would be introduced, involving either excessive strain or lessened earnings on the part of the majority. From this point of view, restriction of output is a sacrifice made by the ablest workers in the interests of their fellows. While such restrictions necessarily result in limiting the total output, it is obvious that labour cannot fairly be asked to remove them unless some definite assurance can be given against the evils anticipated.

With regard to quality of output it is obvious that the workers' interest lies in the direction of a high standard which will improve the status of those concerned in the industry. Whether from the point of view of earning power or of interest and satisfaction in their work, the workmen have everything to gain by the standard of workmanship in their particular trade being raised. A general appreciation of this fact, resulting in greater attention by labour organisations to questions of craft training and quality of output would do much both to raise the position of labor itself and to strengthen the hands of those employers who are striving for a high level of production, as against those who seek to make their profit out of the bad taste of bargain hunters.

It is clear that any restrictions placed upon production, whether by employers or employed, beyond those based upon the social needs of the workers, must be removed if the difficulties of the economic situation are to be faced successfully. In order to make good the wastage of war and raise the general level of industrial prosperity, the efforts of both parties must be united for the purpose of increasing the quantity of output and improving its quality. In order to avoid disastrous conflicts with regard to the distribution of earnings, the national income, the total sum available for distribution, must be not only maintained but increased. The prospects of success depend upon the willingness of both sides to face the facts of the situation and to throw aside somewhat of their mutual distrust. It will be necessary for labour to abandon the policy of restricting output and to concentrate upon demanding adequate remuneration for the work performed. It will be equally necessary for employers to recognize that efficient production is the only ultimate source of profit, that the policy of keeping down wages

and cutting piece rates is opposed to their own interests, and that industry as a whole will benefit by any rise in the level of craftsmanship and production. There is to-day an urgent necessity for the removal of all obstacles to any man either working or earning to the full extent of his capacity.

The argument has brought us to the fundamental question which underlies all our industrial troubles—the relation between employers and employed. The limitation of production, whether by labour restrictions on output or cutting of piece rates by employers, springs from the belief that the interests of employers and employed are inevitably and fundamentally hostile. If it can be shown that their interests are concurrent as regards production and only partially opposed even as regards distribution, the way will have been paved for a compromise which will leave both parties free to co-operate in the work of industrial reconstruction.

The relations of employers and employed are partly antagonistic as regards distribution, because it is to the interest of each to secure a relatively large share of the wealth produced. They are not wholly opposed, even in this respect, because it is to the interest of the employer that his workpeople's standard of life shall be sufficiently high to promote efficiency and afford a reasonable incentive to effort; it is to the interest of the workman that the firm shall be sufficiently prosperous to provide steady employment. Good work cannot be expected from men who are ill-fed and insufficiently clothed, or who feel that they derive no advantage from increased production. Continued employment cannot be expected from a firm which is not making a profit on its business. The qualification becomes still more important when it is extended from the relations existing in a particular firm to industry as a whole. It is to the interest of all employers engaged in the supply of common commodities that wages as a whole should be good, in order that the purchasing power of their customers may be high. It is to the interest of the workers, who are also consumers, that firms producing articles of general use should be sufficiently prosperous to keep plants up to date and produce well and cheaply.

The interests of employers and employed are concurrent as regards production, because it is to the benefit of each that the total available for distribution shall be as large as possible. The interest of the working class in increase of output may be

limited by other than economic considerations. They will not accept for the sake of increased wages methods of work which involve loss of self-respect or a narrowing of their life by undue restriction of leisure. To this extent the interest of the employer may be over-ridden by considerations of social welfare. The real conflict is between his economic interests as an employer of labour and the social interests of the community of which he is a member. But the employer and employed are both concerned in increased *efficiency* of production, which implies equal or improved output at less cost to the employer and with less strain to the employed. Here, too, it is to be noted that the workman, as consumer, will benefit by any increase in the general efficiency of production.

The great obstacle to co-operation is the question of status. The ill-will of labour towards capital and management is not wholly a question of their respective share of earnings. Friction arising over the distribution of earnings is in itself due quite as much to a sense of injustice in the machinery of distribution as to the desire for actual increase of wages. The fundamental grievance of labour is that while all three are necessary parties to production, the actual conditions of industry have given to capital and management control not only over the mechanism of production, but also over labour itself. They feel that the concentration of capital in a comparatively few hands has rendered fair bargaining between the parties impossible. A man who leaves his work without reason inflicts on his employer a certain amount of loss and inconvenience. A man who is dismissed without reason may lose his livelihood. While each great firm represents in itself a powerful organisation, apart from any employers' association to which it may belong, the men employed by the firm are solitary units, having no power of collective action without calling in the trade unions representing the whole of each craft. In the last resort the only effective weapon of the trade union is the strike, and the loss inflicted by a strike or lock-out on the capitalist class is not comparable with the acute personal suffering of the workmen and their families. They feel therefore that in any dispute the dice are weighted against them.

There is also a very widespread feeling that labour as a whole is faced by great disadvantages in ventilating its grievances. The tribunals are composed, the press is owned and

run, by men of another class; and the complaint is frequently made that the labour representative and the labour case do not receive the fair play and courtesy which would be extended to those of their "opponents."

The attitude of a certain section of employers who look on their employees as "hands," as cogwheels in the industrial machine, having a market value but no recognised rights as human beings, is bitterly resented. Still more offensive is the attitude which regards the working man as a very good fellow so long as he is kept in his place, and requiring to be guided and disciplined, but not to be consulted in matters vitally affecting his interests. Labour has come to know its power. It realises that it is an indispensable party to the production of wealth and it requires to be treated frankly as a partner with equal rights and equal responsibilities.

The grievances of the employers are no less valid. They complain of deliberate limitation of output, slackness and inefficiency in work, short time and malingering, the lack of any feeling of responsibility. They point out that many leaders of labour opinion carefully discourage any sense of loyalty to the firm—the source from which the earnings of capital and labour are alike derived—that even a fair employer can feel no confidence that his workmen will back him up in a pinch. Any effort to improve the condition of the employees is regarded as a concession extorted from weakness and is followed by further demands which bear no relation to the condition of trade. Every period of prosperity produces a demand for higher wages; but no amount of depression is considered as an excuse for reverting to a lower scale. The trades union wage regulations place obstacles in the way of differentiation between the efficient and industrious workman and those who are less skilled or less hardworking. At the same time they render it impossible to continue in employment, without actual loss, men whose capacity for production has been decreased by age or accident.

The gravest complaint, however, relates to the insecurity of bargaining. The employer's power to negotiate directly with his employees is restricted by the union, yet bargains thus made with the men's accredited representatives are continually broken by those whom they profess to bind and the union itself cannot enforce the agreement which it has made.

So long as the fundamental interests of employers and em-

ployed are believed by the majority to be purely antagonistic, no cure for the grievances of either side is likely to be found, since the wrongs of which both sides complain spring from that very feeling of hostility and suspicion.

The limitation of production carries with it a limitation of the possible amount of savings. If the total amount produced is low, the balance of production over consumption will be low also. But class-hostility hampers saving in other ways. The supposed clash of interests destroys the sense of responsibility in the use of wealth. Discontent with economic conditions is productive of reckless expenditure. The man who feels his conditions of life to be unworthy has no incentive to save, because he has no hope of substantial improvement in his condition. The worse that condition is, the greater is his need of amusement and palliatives to render it bearable. Sound investment is discouraged because the prospect of repeated outbreaks of industrial warfare makes confidence impossible.

We see, therefore, that the mutual hostility of employers and employed is the prime obstacle to the three essentials of industrial prosperity—increased output, increased saving, increased confidence. It is only from the removal of this obstacle that any one of the three great parties to the industrial process can look for a permanent increase of earnings.

We may therefore lay down these four broad principles as those which must guide our attempt to solve the industrial problem.

- (a) The first necessity of the industrial situation is greater efficiency of production. In order to meet the difficulties created by the war, to make good the losses of capital, and to raise the standard of living amongst the mass of our people, we must endeavour to increase both the volume and the quality of output.
- (b) In order that this result may be obtained without detriment to the social welfare of the community, it must be sought for rather in improved organisation and the elimination of waste and friction than in adding to the strain on the workers, and must be accompanied by a change of attitude and spirit which will give to industry a worthier and more clearly recognised place in our national life.

- (c) This can only be accomplished if the sectional treatment of industrial questions is replaced by the active co-operation of labour, management, and capital to raise the general level of productive capacity, to maintain a high standard of workmanship, and to improve working conditions.
- (d) It is essential to the securing of such co-operation that labour, as a party to Industry, should have a voice in matters directly concerning its special interests, such as rates of pay and conditions of employment. It is necessary to create adequate machinery both for securing united action in the pursuit of common ends and for the equitable adjustment of points which involve competing interests. This machinery must be sufficiently powerful to enable both sides to accept its decisions with confidence that any agreement arrived at will be generally observed.

There are many to whom these principles will not seem to go far enough. They are convinced that the only solution lies in a complete reconstruction of society—the abolition of private ownership of land and capital, the establishment of state or guild socialism, the re-integration of industry, the return to the land, the break-up of the existing trade unions. Accordingly they reject the notion of co-operation between employers and employed as involving an abandonment of the first essentials of reform. If we were discussing the abstract ideal of Society, it would be necessary to meet their criticisms by discussing each of their proposals on its merits. But the present issue is a narrower one. We have to deal with a definite and immediate danger—the prospect of an industrial crisis involving loss and hardship to all parties to Industry. It is obvious that no measure involving a radical reconstruction of the social system has any chance of adoption in time to avert this evil. On the other hand, the prospect of any specific programme emerging from a period of internal conflict is small. The results of social or political upheavals have seldom been those anticipated by their promoters. The men whose ideas gave birth to the French Revolution did not foresee the Terror or the Empire. The Long Parliament foresaw neither the reign of the Major-Generals nor the Restoration. If we are to find a way out of the

threatened difficulties, we must do so by making the best use of the materials at hand, accepting the conditions under which we work and seeking to unite all classes in the pursuit of interests which are common to all. Whatever may be the ultimate direction of industrial progress, an advance is more likely to be founded on a first right step than to come through the chaos of industrial warfare and class-hatred.

The difficulties of devising any scheme of co-operation which shall be acceptable alike to employers and employed are great enough. It demands from both a clear understanding of their respective parts in the process of production, a measure of sympathy with the point of view of the other parties to that process and a just perception of the respective weight to be attached to conflicting and to common interests. It calls for a certain daring in experiment and for a willingness to make sacrifices, if needs be, for the common good. It requires both parties to abandon recrimination as to the mistakes of the past and to approach each other in a new spirit.

These are great demands; but the emergency and the opportunity are also great. Whatever we may do, we may be sure that things will not continue to move quietly in the familiar grooves. The whole world alike of conditions and ideas has been violently shaken and a ferment has been set up out of which may come either good or evil, but in no event a reversion to the old order. We cannot alter the facts by ignoring them. Our only choice lies between the risks involved in abandoning ourselves passively to the forces of change and the effort required to harness them for our own ends.

To avoid chaos is much; of itself it would be worth no small sacrifice and effort on the part of all. The gain which might accrue to any class from conflict is shadowy and uncertain; the loss and suffering to every class alike are certain and heavy.

But to avoid danger is not all. It seems probable that we stand to-day at one of those definite turning points in human history where a generation of men has it in its power, by the exercise of faith and wisdom, by facing the problems of the moment without passion and without shrinking, to determine the course of the future for many years. If we can rise to the height of our opportunity we may hope not merely to pass safely through the immediate crisis, but to raise the whole tone and level of national and individual life.

Whatever action is taken must be the result of frank and full discussion between representatives of all parties to the question. Any attempt to enforce upon one party a scheme framed wholly by another would defeat its own object and precipitate the crisis. It will not do to look to the Government for the initiative. Whatever part the State may play in the future of industry, it cannot move in advance of the general level of opinion among those concerned. Most of the difficulties which have been analysed in this memorandum apply with equal force to state controlled industries, and while the solution may involve legislative sanction or state action, the problem itself can be settled only by agreement between those chiefly concerned.

The first step towards agreement is to define the functions of the three parties to production.

Capital is necessary to a business for the erection of plant, the purchase of raw material, and working expenses. In order that capital should be used to the best advantage for the purposes of industry, it is necessary that investors should display sound judgment as to the prospects and requirements of particular enterprises, exercising caution or daring as occasion demands.

Management is concerned with the disposition of the capital provided, the erection and employment of machinery and plant, the general organisation of the business, the placing and acceptance of contracts, the purchase of the raw material, and the sale of the finished product. The performance of these functions requires not merely a knowledge of the particular business concerned but of all which are in any way connected with it, a careful study of markets, of methods of distribution, and of financial conditions.

Labour undertakes the conversion of the raw material into the finished product, by aid of the plant and machinery provided. While the first requisite in the workman is a thorough understanding of his own job, the maximum efficiency can only be attained if he has a clear conception of the part played by his own work in the whole process of production.

These definitions are framed with a view to a manufacturing business, but they can be adapted, by changes which will readily suggest themselves and are not vital, to a distributive industry.

It is obvious that the functions of capital, management, and labour overlap. In many cases the man who provides the funds

of a business also directs its working. In such cases he performs both the waiting and risk-taking functions of capital and management's function of expert control. It is logical to regard his profits as consisting partly of interest on the capital provided and partly of remuneration for his services as manager. Again, a foreman or a ganger combines to some extent the functions of labour and management; and in general, the spheres of management and labour activity are too closely connected for any clear line of demarcation to be drawn between them. Capital itself represents the result of past services performed by all three parties.

This inter-relation of functions constitutes a real partnership¹ between the persons concerned in any business, whether as investors, managers, or workmen, or in any two or all of these capacities. At present the relation between them is unrecognised or only partly understood, and the result is to produce hostility instead of co-operation between the partners. The attention of all is apt to be concentrated on the points in which their interests conflict to the exclusion of those in which they are common.

This failure to realise the possibilities of co-operation springs largely from neglect of a fundamental principle. The first article of partnership is equality of knowledge. At present the workers have little knowledge of the capital risks, working expenses, establishment and depreciation charges of a business, or of the relation between their particular job and the general process of production. On the other hand, employers have, as a rule, a very imperfect understanding of the workers' point of view, the degree in which they are affected by economic and social considerations respectively, and the effect of particular processes and methods of working upon their physical and moral life. From this mutual ignorance arise innumerable misunderstandings with regard to rates of pay and conditions of labour which are capable only of arbitrary solutions, because neither side understands the standpoint of the other. It is probable that a large percentage of the disputes arising over rates of pay, the introduction of labour-saving machinery, hours of work, the demarcation of tasks, trade union restrictions, could be avoided or compromised, if employers and employed really understood

¹ The word partnership is here used in its widest sense and does not involve the acceptance of what are generally known as co-partnership schemes.

the reasons for the attitude of the other party. In default of such understanding the dispute takes on the character of a trial of strength, in which each side is compelled, for the sake of principle and prestige, to put forth efforts disproportionate to the actual point at issue.

We have said that the chief obstacle to co-operation is the question of status. The development of modern industry has turned the operative into a mere cog in the industrial machine. The average working man has no say in the management of the business and very little as to the conditions of his employment; he has no interest in the success of the firm, except that it should not collapse altogether; and the tendency has been more and more to reduce his work to a mechanical routine. The term "wage-slavery," as we have seen, embodies the revolt of the worker not only against an unequal bargain but against a system which gives him neither interest, nor pride, nor a sense of responsibility in his work. To a large proportion of those engaged in industry their work has become something external to their personal life, a disagreeable necessity, affording no opportunity for self-expression, the joy of creation, or the realisation of healthy ambitions. The result has been a serious impoverishment and enfeeblement of life and character and a permanent obstacle to industrial development. It is impossible for men in this position to take long views, or to consider innovations from the standpoint of industry as a whole. The opposition to new methods of working, labour-saving machinery, dilution of labour, scientific management, is only in part the result of specific and reasoned objections. It springs still more largely from the fact that these schemes are imposed from above and are presumed to be framed solely in the interest of the employers. The opposition to them is, in fact, a revolt against dictation. On the other hand, the uncompromising attitude of employers does not, generally speaking, arise from a tyrannical spirit or a mere desire for increased profits, but from impatience with the men's separatist attitude and their inability to realise the common dependence of employers and employed upon the produce of their joint exertions.

The same difficulty arises in the case of distribution of earnings. The worker feels that his labour is treated as a mere commodity, the market value of which may be forced down by the employer, irrespective of any consideration of a decent

standard of life for the employed, and that he receives the reward of his toil, not as a matter of right or as the equitable division of the proceeds of joint effort, but as a dole fixed by the arbitrary will of the employer or as a concession extorted by force. The employer feels that each demand made upon him represents a raid upon his profits limited solely by the power of the workers' organisations and unaffected by any consideration of the working expenses of the business, provision for depreciation or dilapidations, or the building up of a reserve against future depression. In the confusion of thought arising from imperfect understanding, there is a tendency to regard the whole problem as centring round the concrete question of distribution, which becomes a symbol of the general opposition of interests. The consequence is that disputes as to wages are often fought on either side with a bitterness and obstinacy altogether out of proportion to the amounts involved. In order to arrive at a clearer conception, it is essential to disentangle as far as possible the economic and non-economic factors. If the question of status can be settled, the main obstacle to an agreement as to distribution will have been removed.

The problem is, therefore, to settle this question of status in some way which shall give the workman the sense of self-respect and responsibility which he desires, without interfering unduly with the employer's exercise of the necessary functions of management. The trade union regulations, which have been so largely suspended by agreement for the period of the war, were mostly directed towards this end—the assumption by labour of some measure of control over the conditions under which it works. They refer to wages, hours of labour, overtime and Sunday work, apprenticeship and the method of entry into particular occupations, the kind of work to be performed by different classes of workers, the methods of negotiation between employers and employed, and similar questions. In other words, they represent an attempt to substitute for the autocratic control of the employer over the working lives of his employees a greater and greater degree of self-direction by the organised workers themselves, acting through their accredited representatives.

As a natural result of the assumed conflict between the fundamental interests of employers and employed, the action of the trade unions took the form, in appearance at least, of an

attack upon the profits of the employers and their right to control the conduct of their business. It was largely as a defence against the unions that the great employers' associations came into being. After making all allowance for the occasional insubordination of trade union members and the lack of support given in some quarters to the employers' federations, the effect of these parallel organisations has been beneficial to both sides. Hitherto, however, the action of both groups has been almost entirely negative. They have placed restraints both upon tyranny and upon anarchy; they have succeeded in compromising many disputes and in restricting the occasions of open conflict; but they have done little or nothing to remove the continual undercurrent of latent hostility and divergence of effort which has hampered industrial development far more than the direct effect of strikes and lock-outs. They have protected the special interests which they respectively represent; but they have not risen to the conception of combined action in pursuit of their common interests. Valuable as their work has been, it can hardly be regarded as an adequate return for the ability, energy, and power of organisation displayed on both sides.

The explanation of the comparative failure of the employers' associations and trade unions on the constructive side of the industrial problem is to be found in their strictly sectional and defensive origin and outlook. Regarding themselves as entrusted with the interests of one party to industry and not of industry itself, they have paid no attention to the problems and difficulties of the other side, and they have come together only when one had a demand to make of the other or when a conflict was imminent. Thus they have always met in an atmosphere of antagonism, and their negotiations have been carried on as between two hostile bodies. Exchange of views has come at too late a stage in the proceedings, when a stand has already been taken on both sides and prestige or prejudice forms an obstacle to concessions. What is still more important, their discussions have been confined to specific points of dispute and have not embraced the consideration of constructive measures for the improvement of industrial conditions and the increase of efficiency. Yet the possibilities of combined action which lie in these two great groups of highly organised and power-

ful bodies might transform the whole face of industrial life. Their united knowledge of both sides of the industrial process should enable them to throw light on every phase of its successive developments. Their united strength would render them, in combination, practically irresistible. But to secure the realisation of these possibilities the co-operation between the two groups must be continuous and constructive, and must be based upon a recognition of the common interests of employers and employed, both as parties to industry and members of the community. Employers must realise that both their own interests and the obligations of citizenship impose upon them the necessity of a sympathetic understanding of the lives and standpoint of those with whom they work and a willingness to co-operate, without dictation or patronage, in every endeavour to improve their material or social conditions. Labour must realise its direct interest in the improvement of industrial processes, the organisation of industry, the standard and quantity of production, and the elimination of waste in material or effort. Both the employers' associations and trade unions must learn to regard themselves as joint trustees of one of the most important elements of the national life.

The machinery necessary for such co-operation will require to be created. The existing conciliation boards, or industrial boards on the Australian model, while they perform many useful functions, will not serve this purpose. These Boards are, in fact, independent courts sitting to adjudicate upon claims in respect of which the parties are unable to agree. Such a method of adjudication is in many ways preferable to the alternative of leaving questions to be settled by conflict, as the result of a strike or lock-out. They enable employers and employed to contract on moral equal terms. They result also in the production of detailed evidence whereby each side might, if it had the inclination, understand the case of the other. But here, too, the exchange of views comes too late and the parties meet not to co-operate but to oppose each other. Moreover, they are concerned solely with the settlement of specific disputes, and while they may continue to do useful work in this connection, they cannot provide the opportunity for that continu-

ous and constructive co-operation of management and labour which is essential to any satisfactory solution of the industrial problem.

Something much more comprehensive is required, and the task of providing it will need very careful attention from those concerned. It is unlikely that any one scheme could be devised which would be applicable to all industries or in all localities. The utmost elasticity, whether in present application or in future development, is necessary to any system of industrial organisation, for industry itself develops and modifies day by day. But the general lines upon which development is possible can be deduced from the foregoing analysis of the difficulties to be overcome.

In its simplest form, the new machinery would consist of joint committees, representing both the management and the works staff. This method would lend itself readily to experiment by individual firms and could be applied even in the unorganised trades where no strong trade unions or federations of employers exist. At the meetings of such committees any questions affecting working methods and conditions could be brought up for discussion by either side. The representatives of management would be required to explain the nature and extent of any proposed innovation designed to increase output or economise effort—the introduction of new automatic machinery, time and motion study, standardisation of tools, analysis of fatigue, elimination of waste—and its effect upon the earnings of the firm and of the individual worker. This explanation should be as clear and full as possible, with the object of giving each worker an interest and sense of responsibility in his work, by making clear to him, through his representatives, the reason for the methods to be adopted and the relation of his job to the whole process of production. The proposals having been explained, the workers' representatives would consider them from the point of view of the interests of the men employed, the relation between the different classes of labour, the strain on the workers, the amount of interest and intelligence put into their work. If necessary, they would put forward modifications or safeguards for the protection of these interests. Where the result was to show a real divergence of opinion or of interest, it would be freely discussed,

with a view to finding a way round and adjusting the balance between common and competing interests. In like manner, proposals for alterations in the hours or conditions of labour, in the interests of health or social welfare of the workers, would be put forward by the workers' representatives and discussed in the light of any objections on the score of expense or difficulties of working urged by the representatives of management. While the representatives of management would naturally be concerned mainly with the efficiency of the business and those of labour with the immediate interests of the workers, it is very desirable that neither should confine their attention to their own side of the business. A wise employer will always have the interests of his staff at heart, and workmen who feel themselves to have a recognised interest in the business will have many suggestions to put forward for promoting its efficiency.

In the staple trades, the method of works committees would require to be replaced, or supplemented, by joint boards composed of representatives of the employers' associations and the trade unions. Having regard to the differentiation of functions between management and labour and the large number of problems affecting one or both parties, which arise in a big industry, two co-equal boards might be created in each industry, one representing management and the other labour, with a supreme board of control co-ordinating the work of both. The functions of the management board would cover the "business" side of the industry; those of the labour board would relate to conditions and hours of labour, the demarcation of tasks and everything that touches most nearly the life of the worker. Representatives of these boards, meeting on the supreme board of control, would deal jointly with all matters by which the interests of both parties were affected. Such questions as the dilution of labour, which is becoming increasingly important, yet which cannot be dealt with satisfactorily so long as it is approached from one side only, would be discussed by the joint board of control, both from the point of view of efficiency in production and from that of the interests of the workers and the position of the trade unions. In this manner it should be possible to construct and give effect to

a definite policy and programme for each great industry as a whole, representing a reconciliation between the common and competing interests of employers and employed, and based both upon the desire to obtain the maximum of efficiency and the desire to obtain the best possible conditions for the workers.

In order to avoid the evils of inelasticity and over-centralisation, and to make due provision for the varying conditions of different localities and firms, it might be advisable to combine the creation of these central boards with an organisation of district and works committees, charged with the special care of local and individual interests and problems. The representation of such committees on the central boards, and the delegation to them of local questions, would constitute a protection against the injustice which might otherwise be done by an attempt to equalise rates of pay in areas which differ widely as to the cost of housing and food, or in which the conditions of production and transport produce important variations in working expenses. They would also serve as a protection to established workshop and local craft traditions against the deadening tendency to a mechanical uniformity.

In its most ambitious form, the Supreme Board of Control would resolve itself into a national industrial council for each of the staple industries or groups of allied industries. The members would be elected by ballot, each electoral unit, or pair of parallel units, returning one representative of management and one of labour. In many industries it would be desirable to find a place on the Council for representatives of the applied arts, both with a view to raising the standard of design and workmanship, and with the object of encouraging the human and creative interest in production. A speaker of broad sympathies and experience, capable of directing and focussing the discussions upon the practical problems to be dealt with, would be chosen by mutual consent, but would have no casting vote, his capacity being purely advisory. Such industrial councils would in no sense supersede the existing employers' associations and trade unions, many sides of whose present activities would be unaffected by the creation of the new bodies. Matters connected with the sources and supply of

raw material and the cultivation of markets for the disposal of the finished products would remain exclusively the concern of purely commercial federations of manufacturers, acting in conjunction with the state. The benefit side of trade unions and many phases of the internal organisation of labour by them would be similarly unaffected. In other matters the connection between the old and the new bodies would be close, without any loss of identity. The unions and the employers' associations would send their delegates to the industrial councils charged with the defence of the special interests represented by them and equipped with special knowledge of their particular problems. The general policy outlined by the industrial parliaments would be carried out in detail largely through the older organisations.¹

The field of action open to the industrial councils would be very great. It would extend, for instance, to (a) the suggestion and consideration of improved methods and organisation; (b) the maintenance of works discipline and output; (c) the maintenance of a high standard of design and workmanship; (d) the education and training of apprentices, and the conditions of entry into the industry concerned; (e) the demarcation of tasks; (f) the prevention of unemployment, the development of security of tenure in the trade and the decasualisation of labour; (g) questions of wages and piece rates; (h) prosecution of research and experiment, and (i) the improvement of the public status of the industry. Where the council represented a group of allied trades, it would naturally concern itself with the co-ordination of their work and the adjustment of their respective interests. In addition to the promotion of internal prosperity, the councils would be able to give public utterance to the views and needs of each industry in its relation to the whole national life. They would take account not only of economic but of moral and aesthetic values. Their object would be not merely to increase the productive efficiency of the industry and to reconcile the competing interests of those engaged in it, but to emphasise the worth and dignity of industrial life and to enlarge the scope offered

¹ It should be clearly understood that the right to strike in default of agreement would remain unaffected. This point was made quite clear in the Whitley Reports.

by it to the energies and ambitions of those concerned. It would be part of their task to emphasise the close connection between industrial questions and those relating to education and social conditions. It might even be advisable to empower the industrial councils to apply for board of trade orders giving legal sanction to their decisions—but this would necessitate careful watching, and the provision of adequate safeguards, especially in the interests of consumers.

There is, of course, a tendency in all great associations of industrial units to develop the danger of tyranny, which seems almost inseparable from a close corporation. If, however, it is found that the requirements of the time call for the creation of such organisations, it would be well to face this danger without flinching. The advantages to be obtained are enormous, and with the help of the legislature and the courts the dangers can be met.

Whatever scheme is adopted, the essential thing is that it shall give expression to a real desire for co-operation between employers and employed. In the unorganised trades, works committees on the plan already suggested may be sufficient for present needs. The probability is that, with increasing prosperity and better understanding, the desire for organisation will grow, and the tendency will be to extend the scope both of employers' and labour organisations and to increase their effectiveness, so as to give the employers' associations greater power to control the action of individual firms and to enable the trade unions to make agreements with a greater certainty of their being carried out. It is evidently desirable that the organisation of employers and of labour should proceed *pari passu*, with full mutual recognition, so that individual or small groups on one side should not find themselves confronted by powerful organisations on the other. When once a policy of co-operation has been introduced, its future development and extension may safely be left to time and experience. An attempt to lay down any definite and rigid scheme at the start would probably defeat its own object. The whole success of the policy depends upon the elasticity with which it can be adapted to practical needs and opportunities as they reveal themselves. It is obvious that, even in unorganised trades,

it might be applied to many questions of works economy, with the result of stimulating care and efficiency on the part of the workers, and giving management a better understanding of their point of view, to the advantage of both. In the engagement of men and their allocation to different departments and jobs, it should be possible to take advantage of the special knowledge of both sides, by consultation between the managers and the representatives of the works staff as to the numbers and qualities of the men required. In some cases it might even be possible to appoint a permanent joint committee to deal with the question of the supply of labour, and the requirements of the work in hand.

LABOR'S BILL OF RIGHTS¹

The "Bill of Rights," formulated and adopted on December 13 by the national labor conference called by Samuel Gompers, president of the American Federation of Labor, and attended by representatives of 119 international unions, including the "Big Four" railroad brotherhoods, contains the following declarations of principles and purposes, upon which more than 5,000,000 members of the trades union movement in the United States are to stand:

We speak in the name of millions who work—those who make and use tools—those who furnish the human power necessary for commerce and industry; we speak as part of the nation and of those things of which we have special knowledge. Our welfare and interest are inseparably bound up with the well-being of the nation. We are an integral part of the American people, and we are organized to work out the welfare of all.

The urgent problem that sorely troubles our nation and vitally affects us as workers makes necessary this special consultation.

The great victories of human freedom must not have been won in vain. They must serve as the instruments and the inspiration for a greater and nobler freedom for all mankind.

Autocratic, political and corporate industrial and financial influences in our country have sought and are seeking to infringe upon and limit the fundamental rights of the wage-earners guaranteed by the constitution of the United States.

Powerful forces are seeking more and more aggressively to deny to wage-earners their right to cease work. We denounce these efforts as vicious and destructive of the most precious liberties of our people. So long as it is necessary to exercise the right to cease work—strike—as a final means of enforcing justice from an autocratic control of industry, so long must the workers remain in the right to strike.

The autocratic attitude and destructive action of the United States Steel Corporation and its subsidiary branches to oppress the workers by denying them the exercise of their freedom of action, freedom of association, freedom of expression, must give way to a better understanding and relation and to secure the wage-earners in the exercise of their rights and liberties as free workers and citizens.

Rights of Wage-Earners

We protest against the attitude and action of the majority of the representatives of the employers in the employers' group who participated in the President's industrial conference October 6-24, 1919.

The proposals which the representatives of labor submitted to that conference were conservative, constructive and helpful. They were calculated to establish a working basis for the promotion of better relations between employers and workers—the right to organize, the right to collective bargaining through representatives of the workers' own choosing. The representatives of the public constituted as a group indorsed and voted for that principle. By a small majority the employers' group voted against it and thus the proposals were defeated and the conference failed.

The protection of the rights and interests of wage-earners in national, state and municipal service requires for them the right of organization. Since the interests of these workers can be best promoted through legislation and administration, their right to organization and affiliation with the A. F. of L. must at all times be safeguarded.

The paramount issues that concern all the people of the United States, and in particular the wage-earners, are the perversion and the abuse of the writ of injunction and the necessity for full and adequate protection of the voluntary associations of wage-earners organized not for profit.

Injunction a Revolutionary Measure

The injunction as now used is a revolutionary measure which substitutes government by judicial discretion or bias for government by law. It substitutes a trial by one man, a judge, in his discretion, for a trial by jury. This abuse of the injunctive process undermines and destroys the very foundation of our free institutions. It is subversive of the spirit of a free people working out their destiny in an orderly and rational manner.

Because we have reverence for law, because we believe that every citizen must be a guardian of the heritage given us by our fathers who fought for and established freedom and democracy, by every lawful means we must resist the establishment of a practice that would destroy the very spirit of freedom and democracy. Our protest against the abuse of the writ of injunction and its unwarranted application to labor in the exercise of labor's normal activities to realize laudable aspirations is a duty we owe to ourselves and posterity.

To penalize strikes or make them unlawful is to apply an unwarrantable and destructive method when a constructive one is available. To reduce the necessity for strikes, the cause should be found and removed. The government has a greater obligation in this matter than to use its coercive powers.

To promote further the production of an adequate supply of the world's needs for use and higher standards of life, we urge that there be established co-operation between the scientists of industry and the representatives of organized workers.

Credit is the life blood of modern business. At present under the control of private financiers it is administered not primarily to serve the needs of production, but the desire of financial agencies to levy a toll upon community activity as high as "the traffic will bear."

Credit is inherently social. It should be accorded in proportion to confidence in production possibilities. Credit as now administered does not serve industry, but burdens it. It increases unearned incomes at the expense of earned incomes. It is the centre of malevolent forces that corrupt the spirit and purpose of industry.

We urge the organization and use of credit to serve production needs and not to increase the income and holdings of financiers. Control over credit should be taken from financiers

and should be vested in a public agency able to administer this power as a public trust in the interests of all the people.

Policy of Railroad Operation

Since the government has not worked out a constructive railroad policy we urge for and on behalf of the railway workers and of the general public that the railroads be retained under government administration for at least two years after January 1, 1920, in order that a thorough test may be made of governmental operations under normal conditions. The common carriers of this country are the arteries of travel, commerce and industry. Transportation service and rates are intimately bound up with industrial production in all parts of the country. It is essential that a thorough test be given to all phases of railroad control and operated before a definite peace-time policy be finally concluded.

Never has the world been confronted with a more serious situation. Millions are in want, facing starvation. The children of war-stricken Europe, half fed, underdeveloped, appeal for help. Only with infinite pain, unnecessary loss of life and slowness of result can Europe rebuild her industries, restore her agriculture and re-establish her commerce without the help of America.

The treaty setting forth the terms of peace has not been ratified by the United States. Boundaries are not fixed. Peoples are uncertain as to their allegiance. Under such conditions exchange and credit have lost voltage and in turn have paralyzed industry.

As members of an organized labor movement that has for years maintained fraternal relations with the working people of Europe, we feel that our nation cannot with honor and humanity maintain a policy of isolation and disinterestedness for the distress and suffering of the peoples of Europe. Even if the necessity of the peoples of Europe did not have a compelling appeal, the inter-related economic interests of the world would prevent our limiting our attention solely to this hemisphere.

Ratification of Peace Treaty

The peace treaty includes provisions in an international agreement to prevent war among nations, with all its cruelties and sacrifices of human life; with its burden of indebtedness

and taxation; for reduction in standing armies, the diminution of great navies, and the limitation of the production of arms and amunition. If the senate shall fail to ratify the treaty of Versailles, our nation may be isolated from other countries of the world, which at some time might be pitted against us. Such isolation and possibilities would make necessary the creation and maintenance of a large standing army and a **greater and more** effective navy, in order in some degree to protect the republic of the United States from aggression by those countries which were our allies in the great war and which were and are now our friends.

In addition, the workers of America have a deep interest and concern in the labor draft convention of the treaty and in its purpose to raise to a higher standard the conditions of life and labor among peoples of all countries. Its cardinal declarations and provisions are that labor should not be regarded as a commodity, that the **eight-hour day and 48-hour week are standard**; that there shall be one day of rest, preferably Sunday, in each week; that child labor shall be abolished, and continuing education for young workers assured; that men and women shall receive equal pay for equal work; that industrial betterments shall be enforced by proper inspection, in which women as well as men shall take part; that wages shall be sufficient to maintain a reasonable standard of living, as this is understood in each clime and country, and that employes as well as employers have the right of association for all lawful purposes.

The United States is protected by this draft convention in two ways. First, that the recommendations which international labor conferences under the treaty may recommend may be accepted or rejected by our government; second, that no recommendation that would set a lower standard for the people of the United States than already exists within our borders can at any time be presented for consideration and action by the United States.

To give the united support of our republic and of the allied countries to effective machinery to release the standard of the workers' condition in backward countries; to help humanize industry for the common world weal, is, we insist, a paramount duty which our republic must perform. We insist, for the reasons herein set forth, that it is the immediate duty of the senate to ratify the treaty of Versailles.

Economic and Political Field

The American labor movement resents the attempt of reactionaries and autocrats to classify the men and women of labor with those groups which have nothing in common with its constructive purposes and high ideals, and with the fundamental principles of our country. Those who aim to strike a blow against the legitimate operations of the workers in their struggle for freedom and for a higher and a better life must be met and overcome.

We call upon all those who contribute service to society in any form to unite in the furtherance of the principles and purposes and for the rectification of the grievances herein set forth. We call especial attention to the fact that there is a great community of interest between all who serve the world. All workers, whether of this city or country, mine or factory, farm or transportation, have a common path to tread and common goal to gain.

Legislation which proposes to make strikes unlawful, or to compel the wage-earners to submit their grievances or aspirations to courts or governmental agencies, is an invasion of the rights of the wage-earners, and when enforced makes for industrial slavery.

Anti-Strike Legislation

We specifically denounce the anti-strike provision of the Cummins bill and all similar proposed legislation as un-American, as being vicious in character and establishing by legislation involuntary servitude.

The warning given by Jefferson that the danger to the people of this republic lies in the usurpation of our judiciary of unconstitutional authority has been fully demonstrated. A judiciary unresponsive to the needs of the time, arrogating to itself powers which neither the constitution nor the purposes of our laws have conferred upon them, demands that at least in our time Americans must insist upon safeguarding their liberties and the spirit of sacred institutions of our republic.

We urge that the judges of our federal courts shall be elected by the people for terms not exceeding six years.

We declare that the voluntary organization of the workers, organized not for profit, are agencies of justice in industry and

trade. Despite legislative declaration that trade unions do not come under the provisions of anti-trust legislation, courts have not understood and are not now able or willing to understand that the organizations of wage-earners are not conspiracies in restraint of trade.

We submit that anti-trust legislation has not only been interpreted to serve the purpose of outlawing trade unions, robbing them of their treasuries and the savings of the members and depriving them of their legal and natural rights to the exercise of normal activities, but that it has also failed completely to protect the people against the outrageous machinations of combinations and monopolies.

The United Mine Workers of America did all in their power to avert an industrial controversy in the coal industry. The autocratic attitude of the mine owners was responsible for the losses and sufferings entailed. While the miners have returned to the mines and have only now been afforded the opportunity of having their grievances and demands brought to the light of reason, it is our hope that a full measure of justice will be accorded them even at this late date.

Standard of Living

There is a widespread belief that wages should be fixed on a cost-of-living basis. This idea is pernicious and intolerable. It means putting progress in chains and liberty in fetters. It means fixing a standard of living and a standard of life and liberty which must remain fixed. America's workers cannot accept that proposition.

They demand a progressively advancing standard of life. They have an abiding faith in a better future for all mankind. They discard and denounce a system of fixing wages solely on the basis of family budgets and bread bills. Workers are entitled not only to a living, but modern society must provide more than what is understood by the term "a living." It must concede to all workers a fairer reward for their contribution to society, a contribution without which a progressing civilization is impossible.

No factor contributes more to industrial unrest and instability than excessive costs of necessities of life. It is a demonstrated truth that the cost of living has advanced more rapidly than have wages. The claim that increasing wages make neces-

sary increased prices is false. It is intended to throw upon the workers the blame for a process by which all the people have been made to suffer. Labor has been compelled to struggle desperately to keep wages in some measure up to the cost of living. The demand for higher compensation to meet new price levels has made industrial readjustment necessary. Existing high and excessive prices are due to the present inflation of money and credits, to profiteering by those who manufacture, sell and market products and to burdens levied by middlemen and speculators.

The deflation of currency, prevention of hoarding and unfair price fixing, establishment of co-operative movements operated under the Rochdale system, making accessible all income tax returns and dividend declarations as a direct and truthful means of revealing excessive costs and profits.

Industrial Co-operation Necessary

Labor understands fully that powerful interests today are determined to achieve reaction in industry if possible. They seek to disband or cripple the organizations of workers. They seek to reduce wages and thus lower the standard of living. They seek to keep from restriction their power to manipulate and fix prices. They seek to destroy the democratic impulse of the workers which is bred into their movement by the democracy of the American republic.

Labor must be and is militant in the struggle to combat these sinister influences and tendencies. Labor will not permit a reduction in the standard of living. It will not consent to reaction toward autocratic control. In this it is performing a public service.

We hold that the organization of wage-earners into trade union and the establishment of collective bargaining are the first steps toward the proper development of our industrial machinery for service.

CAUSES OF FRICTION AND UNREST

LABOR'S INDUSTRIAL DEMANDS¹

Causes of Labor Unrest

The present Labor unrest is due to many causes, and it is important to separate those which are permanent from those which are temporary. Among the latter we may note especially the high cost of living, the large amount of unemployment, and the anxiety to which this gives rise, a certain impatience due to the exhaustion and strain of a long war, uncertainty as to the method of fulfillment of the promises given to trade unions, the knowledge that many people have made enormous profits out of a world disaster, and the belief that a nation which can find £7,000,000 a day for war, over a period of years, can afford to maintain its workers on a scale that formerly seemed well-nigh impossible. Moreover, there is a strong feeling among the workers that the psychological moment for them to improve their lot has arrived, and that if they fail to take the fullest possible advantage of it, such an opportunity may never occur again. They think that industrial conditions, in a year or two, will have settled down, for good or evil, into a groove, and then it will be a slow and laborious process to change them.

But underneath these temporary causes of unrest, there are others which are permanent, and only as we succeed in removing these can we hope for any enduring settlement. Briefly, the permanent causes are four. First, the workers, better educated, more alert, more conscious both of their disabilities and of their strength than they have ever been before, are determined to secure a standard of living which, at the very least, will raise them above the poverty line. They refuse to believe that it is an essential condition of modern society that the great mass of them, year after year, should constantly be confronted

¹ From an article by B. Seebohm Rowntree, *Christian Science Monitor*, May 20, 1919. Mr. Rowntree is a director of the famous chocolate manufacturing firm of Rowntree & Co. Ltd., York, Eng., and a writer on economic topics.

by the problem of making two ends meet, which were never intended to meet. Meanwhile, they see much of the wealth of the community continually sidetracked, as it were, in favor of the comparative few, and they grow more and more determined to safeguard the interests of the many.

Demand for Control

Secondly, workers have begun to protest against the position occupied by labor in the world of industry. There is a resolute and definite claim on their part to take a share in controlling industrial conditions. The views of the Syndicalist and Guild Socialist are only held by a small minority, but the demand for a substantial measure of control is widespread.

Thirdly, there is a demand that workers who are capable of working and willing to work should be freed from the menace of unemployment, which at present hangs like a dark cloud over the lives of millions.

Lastly, the workers ask for shorter hours. There is a growing conviction among them that life should mean something more than "bed and work." Moral and intellectual claims have not been preached in vain, and those who lead in the Labor ranks realize fully that a man who leaves home for work at 5 or 5:30 in the morning, and does not return until 5:30 or 6 o'clock at night, has neither the vitality nor the leisure for self-development.

These, then, are Labor's four principal demands. If they are met on fair terms, we shall have industrial peace. If they are refused, we shall have industrial war. Clearly, we must decide whether they are just and reasonable. If we believe that they are, then we must, without delay, consider how to give effect to them, not in a niggardly or parsimonious spirit, but as fully as the economic circumstances of industry will permit.

"But let us beware of a serious danger. The demands which I have formulated must be dealt with, not only at once, but as a whole. To attempt to deal with them separately, or in a piecemeal, half-hearted fashion, is to court certain failure.

Wages and Cost of Living

Clearly, the advance in wages which we wish to secure must be an advance in real wages. An advance which involves a corresponding advance in the cost of living can serve no useful

purpose. But, as Dr. Bowley has clearly demonstrated in his pamphlet on "The Division of the Product of Industry," a substantial increase in wages involves an increased production and an increased efficiency which can only be guaranteed by the whole-hearted efforts of employers and workers alike. Now, cordial cooperation between Capital and Labor is impossible, unless Labor is given a real share in controlling working conditions, and is adequately safeguarded against the consequences of unemployment arising from any purely temporary dislocation which may follow on the introduction of labor-saving machinery or improved methods.

Coming to concrete proposals for immediate action, I believe that the following steps should be taken, if we desire to have peace in the world of industry.

1. A trade board should be set up for every industry, and the duty should be imposed upon it by statute of fixing, at the earliest possible moment, minimum wages which will enable a man to marry and to maintain a family of normal size in a state of physical efficiency, with a certain margin for contingencies and recreation.

For the woman worker, the minimum wage should be sufficient to maintain her in health and respectability with, similarly, a small margin for incidental expenses. I think that this method is preferable to that of fixing a national minimum wage by Parliament.

2. As a first step toward giving the workers a quite definite share in the control of industry, Whitley councils should be established in all industries. But I am confident that these will fail without the universal establishment of workshop committees which exercise real authority. In addition, a commission should be set up to consider whether the workers should be given still further control at once, and if so, by what methods.

3. An inquiry should immediately be set on foot into the difficult question of how the workers may best share in the prosperity of the industries in which they are engaged. Profit-sharing, as ordinarily practiced, has not been generally successful in stimulating their best efforts. Some scheme must be devised whereby the workers will have before them all the facts regarding the profits made in their particular industry. When Capital has been paid, the minimum amount which will attract whatever supplies of it are necessary for the development of that industry, the remainder of the profits must be shared be-

tween Capital and Labor in an agreed proportion. It must be made worth while for every worker to do his best. In any arrangement come to, it would of course be necessary to safeguard the interests of the consumer.

4. Unemployment insurance on a scale which will free the workers from any danger of real suffering or privation through lack of work should be made universal and compulsory. Its cost should be distributed between the workers, the employers and the state, as it is in the insured trades.

5. Parliament should at once pass an act making 48, or perhaps 47 hours, the maximum normal working week in all industries. Modifications, according to seasons, would be necessary in certain trades.

Deprecates Superficial Remedies

It may be urged by some readers that these are drastic proposals, but the position today is such that no superficial remedy will avail to bring about an industrial peace. Fundamental changes are called for. If we face the situation boldly and wisely, an industrial revolution whose consequences are wholly good, may be brought about by peaceful means. But if those who, in the past, have exercised an autocratic sway, buying labor as cheaply as possible, and scrapping it without a thought when it had served their purpose, insist on carrying into the new world the methods they employed in the old one, we shall still have a revolution, but it may well be disastrous both to Capital and Labor.

Only if we make it clear that we realize the situation, and are already coping with it to the best of our ability, can we justly ask the workers to be patient, and to remember that Rome was not built in a day. I think that they could be persuaded to patience if they could be quite certain that Rome was actually being built with all possible speed. But, rightly or wrongly, they suspect that the employing classes do not really mean business in the great task of creating a new and better England. Now this suspicion can not be exercised by promises or prophecies. In one way or another, our vast community must actually pool its interests, and those must lead the way who have the most to pool. We have faced death, we must now face life, not as classes, not as sections, and not as individuals, but as a united nation."

WHAT'S WRONG WITH INDUSTRY?¹

It depends upon one's point of view what answer is given to the question, "What's wrong with industry?" Even to-day there are probably some who would ascribe what is wrong to that bugbear of the complacent and comfortable, the "wicked agitator," who refuses to let well enough alone. There are others who, still impregnated with the social theory of the poor law reformers of 1834, seek to find the root of the matter in the laziness of the masses. Then, again, there are employers and others who hold the view that what is wrong with industry is the stubborn determination of trade unionists to cling to outworn rules and practices. Others, again, trace all the industrial evils of to-day to the absence of protective tariffs. There are some bewildered employers, tossed about on the cross-currents of industrial thought and feeling, who frankly "don't know what things are coming to."

There are obviously many defects in the industrial system. To those who seek to throw the chief blame upon the workers, we could retort that industrial statesmanship has been lacking, that employers have been short-sighted, that their methods have long been obsolete, and that they have been vastly overpaid for such services as they have rendered.

But the chief defect of modern industry is that it has no moral basis. Perhaps in no government document has this been brought out more clearly than in the recently published Interim Report of the Committee on Adult Education, devoted to the bearing of industrial and social conditions upon the opportunities of citizens for education.

The committee, over which the Master of Balliol presides, includes four trade unionists, two employers, two women, and several members prominently identified with various kinds of educational work, such as the Universities, the Workers' Educational Association, the Adult School Movement, the Central Labor College, and the Coöperative Movement. The function of the committee is "to consider the provision for, and possibilities of, adult education (other than technical or vocational) in Great Britain, and to make recommendations." Its point of view is therefore human, and not economic; and it has put on record its ideas regarding industrial reconstruction from that

¹ Living Age. 299:588-90. December 7, 1918.

standpoint. It is concerned with moral and not economic standards. Much that is contained in the report is not new, but it is the first time that any government report has analyzed the conditions of industrial life in relation to personal development and social usefulness. The committee explains that it was driven to this line of inquiry because it was faced at the outset with the grave obstacles which hamper workingmen and women in their desire for knowledge.

In direct opposition to the dictum "business is business," it proclaims the revolutionary truth that "industry exists for man, not man for industry." This sentence pricks the bubble of modern industry. The committee refuses to accept the view that "the exigencies of industrial efficiency are of such paramount importance that the development of personality must inevitably and rightly be subordinated to them." This brings the committee very close to what is really wrong with the industrial system, and the following quotation penetrates to the heart of the error:

There can be no doubt that the degradation of human beings to the position of mere "hands," and the treatment of labor as a commodity to be bought and sold, has created a revolt in the minds of a large section of the community. The conditions of industrial life have only too often outraged human personality. . . . While a very large proportion of the working population has not clearly formulated its fundamental objections to the conditions and circumstances of industrial life, the articulate minority is placing an increasing emphasis upon what may be called the moral factors. There is undoubtedly a growing feeling of dissatisfaction on the part of workpeople with what they regard as their position of inferiority. This inferiority, it is urged, is due to a forced submission to undesirable conditions, to the subjection of the worker both to the machine and to the will of others, who are vested with an authority in which the workers have no share. The new currents of thought, which during the past few years have increasingly agitated Labor, are a sign of a deep-seated reaction against the dehumanizing influences surrounding industrial life. One of the most insistent demands made by the rising generation of workers is for what is called "industrial control." The view which they hold is that the subordination of the worker to an industrial policy and to regulations for which they are not themselves directly responsible is unjustifiable, because it is inconsistent with the rights and obligations which ought to be inherent in membership of any organized group within society. They believe that industrial democracy is as essential to individual freedom as political democracy.

The movement is significant, because it gives evidence of a growing desire for new responsibilities. . . . From the point of view of both the individual and the community it is desirable that the new claims should somehow be met.

The committee points out that it is beyond its scope to deal with the methods which should be adopted, but it is clearly concerned with "the fundamental criticism that the present industrial system offers little opportunity for the satisfaction of the intellectual, social, and artistic impulses."

The implications of the above quotation are far-reaching, and strike at the roots of modern industry. What is wrong with industry is clearly a moral question. The great need is not for increased output or protective tariffs, but for a revolution in our attitude towards the economic system. The first need is to insure adequate remuneration, human conditions, and human relations in industry. And by human relations we mean, not the revival of benevolence and philanthropy, but the abolition of those vital defects referred to above, and more particularly the inferior status of the worker. The new claims of the workers for responsibility must, as the committee agree, "somehow be met." This is the real problem of modern industry. It will be solved as the trade unions adapt their organization to the new needs, and as the demand for "industrial control" increases and becomes more coherent. In the meantime, the State must be called upon to redress the balance against the workers, and to establish such standards and conditions as are essential to a people with the responsibilities of citizenship. We may, perhaps, quote the words of the committee:

We have approached the matters dealt with in our present report from the human rather than the economic point of view. If the individual is to make the most of his powers, if the citizen is to be worthy of the responsibilities thrown upon him by the ever-increasing complexity of life in a modern community, in other words if education in any meaning of the term is to become a reality, certain definite conditions of life are indispensable. The paramount consideration is that of the individual as a member of society. Material progress is of value only in so far as it assists towards the realization of human possibilities. Industry and commerce and the social conditions which are in a large degree dependent upon them must in our opinion be regarded from this point of view, and, if they cramp the life of the individual, no amount of economic argument will suffice to justify them. . . . We do not think, however, that there is of necessity a fundamental antagonism between ethics and economics. Adequate pay, reasonable hours of labor, the super-session of heavy, degrading, and monotonous forms of manual labor by machinery and improved processes, the provisions of holidays, the introduction of human relations and the social motive into industry, healthy homes and a cheerful environment—these are the indispensable conditions of economic efficiency; they are also among the elementary rights to which the citizen, as such, and in virtue of his responsibilities, is entitled.

The committee make definite proposals, which strongly support the expressed views of organized labor. The chief recommendations may be summarized as follows:

1. The establishment of a normal legal working day of eight hours, with a shorter working day for those employed in heavy and exhausting kinds of work, or work accompanied by special disabilities.

2. The close regulation and reduction of overtime.

3. The abolition of night work, except where it is absolutely essential.

4. A guarantee of some reasonable security of livelihood

5. The establishment of a legal annual holiday, with pay.

The five points of this character alone, if adopted, would, at any rate, remove some of the worst features of industrial life and liberate the energies of the people for the more fundamental problems of life and society. The workers do not ask for concessions; they demand opportunities to enable them to work out their own salvation. What is wrong with industry is that it has deprived the workers of those opportunities of leisure, and the exercise of their powers. This is an evil which it must be one of the first tasks of reconstruction to eradicate.

WHAT LABOR REALLY WANTS¹

We American trades unionists take the present industrial system as it is. It evolved from something else, and it may devolve into something else again. In taking our position we are not constrained to say that we approve the capitalistic industry. But here it is. We purpose to work with it and on it. Leave the rest—the future—to evolution. Our fathers introduced the democratic method into politics and it has gone on evolving democratically. Let us introduce it into industry and let it go on evolving democratically there. New times, new problems and new issues—but always the democratic method. There are certain things that we want now. We install our democratic method to deal with them. The same method will deal with what we want tomorrow.

The essence of the democratic method simply is that labor shall have a duly acknowledged right to participate in determining all regulation of wages and working conditions that affect it. Through its organization labor has democratic control of itself. Theoretically, at least, corporations are democratic organizations of the owners of capital or its users. All right, then, let them settle their common affairs democratically. That's all there is to it. The method may take a thousand forms in

¹ From an article by John P. Frey, in the Metropolitan Magazine. November 1919. Mr. Frey is an executive officer of the International Molders Union and Editor of its official journal.

practice. The form may vary for each industry. The great thing is to secure the universal recognition of the democratic idea. I would not undertake to say, offhand, for instance, how the democratic method should be applied to the steel or any other industry. The principle is capable of infinite adaptation.

The democratic method of dealing with labor questions is practised in many industries either locally or nationally, but lack of effective organization on one side or the other and failure to accept the principle whole-heartedly has not afforded a fair test at all times. The principle is in practice in the coal mining and in the glass industry in a general way. But its most thorough-going acceptance on both sides and, therefore, its best demonstrative field, is in the stove-making industry. Let me tell you of the history of its growth and utilization in that industry with which, as a molder, I am best acquainted.

Stove-making is one of the oldest manufacturing industries in America; it was also one of the first in which labor organized. Almost from the beginning the employers were organized, and one of the purposes of their organization was to prevent the employes from doing likewise. Thus there was no common ground—as is the case with some of our great industries today. It was a very bitter war that was waged in the stove industry from 1855 to 1890. Each side strove to secure its ends by might rather than by negotiation or convention. There was a complete denial of democracy, the attitude of the employers being the historic one of the industrial Bourbons: "This is our business and we will run it as we please." They even went so far in the seventies as to import large numbers of molders from continental Europe. During all these years the industry was marked by such a succession of strikes and lockouts that there was almost no time when there wasn't one somewhere. One in 1866 and another in 1868 were almost national in scope, the first being forced by the molders and the second by the foundrymen. Many of the foundries went into bankruptcy and many of the men lost their homes and were nationally blacklisted. Weary of this continuous and disastrous warfare, leaders of the Stove Founders National Defense Association and of the International Molders Union began, finally, in 1890, to feel each other out. In 1891 a peace treaty was negotiated and ratified between the two national organizations.

It was the first agreement of the kind in the history of the

world; and it is highly significant that it has been entirely successful, though at the time it was received coldly and with suspicion by many of the employers and by a large number of the men. Each side questioned the good faith of the other. The scheme was unheard of, it was revolutionary, it robbed the employers of their business, it was absurd for workmen to think themselves capable of passing on any part of the business, etc.

The agreement began by laying down the principle that as the foundrymen and the molders understood their common problems better than anyone else, arbitration by outsiders would be eliminated. There's where the democratic idea came in. They said: "We will provide a method by which we may settle our family differences ourselves. If we can't settle them nobody can." That is democracy in industry for you away back in 1891—though nobody gave it that dignified appellation then. The treaty of peace was declared to be above the constitutions of either side. It was agreed that a committee of twelve, six from each organization, should meet together once every year not only to determine what the terms of employment—wages and hours—should be, but also the conditions of labor and the shop rules and regulations. These twelve men are the law-makers of the stove industry and they have been making laws successfully for 27 years—so successfully that there have been neither strikes nor lockouts in that period. They are representative of the whole industry and their laws are as democratically made as the municipal law of the land. Being made by the industry for the industry and not forced on it by outsiders or autocratically imposed by one group of insiders, they are accepted in good spirit and obeyed, whether liked or not. If either side feels that the decision of the supreme body is unjust, it contents itself with waiting for any opportunity to repeal it just as political parties do in political life. Every question is settled by a majority vote. There is no umpire or referee.

The committee views the industry as a whole; each half understands the peculiar problems of the members of the other half. Having the broader view, the committee-men often find themselves more advanced than their constituencies. Such a situation is patiently manipulated or "played." To make my meaning clear let me explain that sometimes one side will come into a meeting with a proposal that is so well backed by facts and reason that the other side immediately concedes its

righteousness. "But," they may say, "though this proposal is right, we must vote against its adoption at this time because our members do not agree with us. To adopt it under these circumstances would be to invite trouble. Give us time to go back to our people and educate them up to this excellent proposal."

I recall an interesting case in point. The molders had a venerable rule that the ratio of apprentices to journeymen should be one in eight. It was a protective measure, but the ratio had no intrinsic merit. Like many other things it stood because it always had been, and the molders regarded it as one of the pillars of their constitution. From the very beginning of our industrial democracy the foundrymen had rightly insisted that the rule was archaic, absurd and unsound because it represented no normal relation, tended to reduce the actual number of molders and to restrict the proper growth of the industry. At last, in 1901, the foundrymen's members of the committee, having absolutely proved to the satisfaction of the whole body that they were right, called for a showdown and a decision to change the ratio. Our members, nevertheless refused the demand because they knew, and so explained to the employers' representatives, that the men would not cheerfully accept the innovation and that there might be great and unpleasant difficulties in enforcing it. At the same time we pledged ourselves to go back to our members, tell them the facts and try to convert them. We did so and were promptly and decisively beaten by a referendum. When the 1902 meeting of the joint committee came around, the employers wanted to know where we stood. Somewhat shamefacedly, we had to confess that our people had not seen the light, but we asked for another chance. They gave it to us. We went back to our brother molders and began the missionary work all over again. We did our best, but to no avail; the convention of 1902 turned us down coldly, greatly and keenly to our regret and embarrassment.

The two organizations then faced a very delicate decision. Here was a piece of legislation that was vital to the industry and to the nation and the leaders were unanimous about it, but the employees could not be made to understand. The question was whether to wait still longer or terminate the treaty and settle the apprentice problem in a stand-up-and-knock-down fight between the two organizations. Such a fight would mean strikes and lockouts and the training of a new crop of non-union molders who would make up a sufficient labor supply

and would eventually join the unions. Thus the men stood to lose their point in the long run. On the other hand the employers would lose time and money and some of them would be ruined. On the whole, though, the foundrymen were inclined to think that a fight was the lesser of two evils. Nevertheless, we prevailed on them to wait another year. This time we carried the referendum and the apprentice question was satisfactorily adjusted. Doesn't that all have a fine old-time, town-meeting tang? Doesn't it appeal to the instinctive democracy of every American?

The apprentice affair made us molders look like the boneheads and obstructionists of this stove-making republic, but in another case the tables were reversed. About the same time along came some inventors and promoters with a molding machine which, they said, would reduce the number of men required and that none need be skilled, thus putting the union out of business for good. This idea appealed to many of the foundrymen in more ways than one. We didn't believe the machine was wholly practicable, but the employers thought we were merely taking a moss-back stand against the march of improvement and they finally installed the machines. The foundrymen believed that with the machines they had attained an improved industrial position which they must retain at all costs. The molders believed that the effect of the machines would be to deprive their families of bread unless they controlled their operation. The argument was not conducted in the best of spirit and there was much heat and friction. It was evident, however, that stoves would continue to be manufactured and that stove castings would continue to be made. For several years the questions raised by the advent of the machines were an open sore. In the end, however, patient application of the democratic method, established the sound basic principle that whatever the molding machines might accomplish in increased output and otherwise the molder's total earnings must not be reduced, and that his standard of living should not be lowered because of improved methods of production. It took two or three years more to get the principle into satisfactory practical application. Since then there has been no further controversy over the machines though to an appreciable extent they have replaced hand labor. In this dispute the molders were right and it took time to educate the employers.

PROBLEMS OF LABOR

WHAT DOES LABOR WANT?'

Amid all these stirrings and outbreaks of industrial trouble, what is it that Labor really wants? How many genuinely puzzled persons keep putting this question to themselves and one another, finding no satisfactory reply? It is pretty evident that these squabbles about meal-times, victimization, or even the exact increase of wages or shortening of hours, do not adequately represent the size and nature of the new demands that have been gathering in war-time and now clamor for satisfaction. On the other hand, we think it incorrect to assume that the extreme doctrines of Socialism or Syndicalism, embodying nothing less than the destruction of "the capitalist system," with the conscious "class-war" as its weapon, are the animating motives of any large section of the discontented workers or even of their leaders, save perhaps in one or two restricted areas of disturbance. Labor is not as yet demanding to "take over" and operate itself and for itself the mines, the factories, the railways, and the workshops, and to portion out the landed property along the lines of Bolshevism. Conservative speakers and journals that apply this measure to the present discontent do a grave disservice.

But because the great body of workers have not clearly formulated the nature and dimensions of their demands, it does not follow that they do not know what they are "after." Their knowledge may not be complete or systematic, but it is not obscure. The experience of war-time has done not a little to clarify their vision of a better life for Labor and to suggest effective, though not always desirable, ways of attaining it. They want a secure standard of comfort on a considerably higher level than the pre-war scale—better food, houses, clothing, and amusement, with a steady money wage large enough to buy them. They want more free time for home-life, rest, recreation. Their minds grasp the full meaning of that elusive word, education. They want a juster, freer State. And they want a "big say" as to the conditions under which they work, a release from domineering and over-pressure in the workshops, and a good security against arbitrary cuts of wage-rates and unemployment. Many of their new local leaders would doubtless describe such a statement of Labor claims as quite in-

¹ The Nation (England). February 1, 1919. p. 505-6.

adequate. But we believe that an industrial order which should secure these reforms for the workers would suffice to win industrial peace.

Now, can any decent-minded intelligent person assert that any one of these objects is undesirable? With the exception of the dwindling majority of the master-class who still cherish the desire to "keep the working classes in their place and not to pamper them," there will be a consensus of opinion in favor of this better life for the masses. It is clearly desirable, but is it economically attainable? Can we produce enough wealth to furnish forth this higher standard of living, and can we afford this longer leisure at a time when the destructive power of war has so impaired the stocks and fabric of industry as to impose upon us for some years to come the added work of reparation, in order that we may start where we left off in 1914? How, under such circumstances, can the workers have more wealth and more leisure? Many labor men have an easy solution of the problem in their view of capitalistic exploitation. Ample funds for making everybody comfortable are absorbed in the unearned incomes of the rich. There is in this theory a quite sufficient element of truth to make it a thoroughly convincing doctrine to those who possess "the will to believe." But it will not convince those who face the facts and figures of the capitalist system. Our nation has never yet produced nearly enough wealth and leisure to make everybody comfortable, even if it were properly distributed.

More wealth must be produced, *and* it must be more equitably distributed. We cannot get for all the life we admit to be desirable on any other terms. Hitherto there hasn't been enough wealth to go round, and carry comfort and content to every home. Unfortunately this statement is not merely unpalatable to the organized workers; it is a dangerous irritant. It suggests to men who are asking for more relief from the strain of industry that they must work harder and bring about, as past experience seems to attest, a glut of goods which will lower prices, imperil wage rates, and cause unemployment. Now we hold that it is technically possible to get the needed increase of wealth and leisure for the workers, together with the improved status and security of employment, without a policy of speeding up or any risk of congesting the market. An improved equipment of machinery, the effective utilization of electricity and other sources of industrial power for manufac-

ture and transport, better business organization, the elimination of wasteful forms of competition, the application of known improvements and economies, would enable us to double or treble our production of material wealth, if we were willing to apply them.

What blocks the way? The poisoned atmosphere of mutual suspicion and the increased belief in force as a remedy which war leaves as a natural legacy. The enforced national unity of war-time is everywhere dissolving into factious quarrelling, nourished on innumerable stories of waste, jobbery, and corruption. Great fortunes have undoubtedly been built up by scandalous profiteering. The growth of powerful combinations places an almost despotic power in the hands of capitalist interests. These things have been accomplished by the connivance, and in many instances by the aid, of the State, which during the war has entrusted the exceptional powers it acquired to the absolute discretion of the most successful profiteers in the several trades. To crown all, there is the exhibition of the new Government, hastily foisted on the bewildered nation, in which nearly all the levers of business control are in the hands of great capitalists whose past records and reputations do not suggest a disinterested public attitude to Labor and the consuming public. Hence an attitude of irritability, and suspicion of all persons in authority, landlords, employers, officials, and Labor leaders. For one of the gravest symptoms of our present troubles is the weakened or lost control of the "authorized" trade-union officials over the movements of the local groups of workmen, and a growing distrust in the machinery for settling grievances as they arise in the staple industries.

But employers have no small share of the responsibility for this unrest. Many of them have learnt neither humanity nor discretion from the difficult times through which the nation has been passing. In common with a large section of "society," they are wont to stigmatize as "slackers," "rebels," and "Bolsheviks" the workmen who, rising to a new sense of their social and human value, are seeking to import that new sense into a reformed industrial system. In every industrial area these stubborn, masterful employers are impediments to industrial peace, and defend their control of their businesses in the same spirit and by the same weapons as the more revolutionary leaders of the men. Everywhere these supporters of conscription, protection, monopoly, and industrial absolutism are contributing to the

peril of the post-war situation, girding now against "agitation," now against taxation of war profits, and contriving to use Government to keep up prices.

The perils are imminent and growing. Can the great basic principles of democracy and self-determination, which are being invoked as peace-makers in the larger area of international relations, bring no healing influence upon this internecine strife? Is it impossible that these suspicions and conflicting interests should "get together" and establish instruments of concerted counsels and government for industry? If the Whitley Councils are not perfect instruments for self-government in such trades as engineering, could they not be taken as foundations of a better order within the trade and the workshop? Is not Mr. Clynes's bolder proposal of an Industrial Parliament, to which large issues of labor and other economic policy might be entrusted for discussion and even legislation by trade representatives, worthy of early and close consideration? For the root of the trouble is that men turn to selfish, shortsighted, and forceful methods because they see no obviously just and reasonable way of redressing real grievances or attaining what seem fair demands. No *deus ex machina*, no compulsory arbitration by Board of Trade officials, can impose industrial peace upon the warring elements. We do indeed favor a large intervention of Government in the industrial order. We think, for example, that the time has come to fix an eight hours' day as the normal standard of work. And we believe also in a real experiment in representative government, such as we understand Mr. Clynes to propose. To such a body the conflicting claims, not only of Capital and Labor in the several trades, but of the several trades in their "pulls" upon the national dividend of wealth, leisure and other economic goods, can be referred. It might sanction industrial regulations for all matters in which there is a real community of interests, and initiate the new era of social peace without which no League of Nations can do more than shift the areas and change the methods of human conflict. Co-ordination is perhaps not a particularly attractive term. But it marks a first essential to any real solution of these tangled problems. So long as each department of Government, each trade and each business interest, finds in the assertion of its own separate "will to power" the only way of getting what it wants, the nation will flounder on in a deepening morass of economic trouble.

COST OF LIVING

COST OF LIVING AND WAGES¹

How far and on what principles should wages be adjusted to the cost of living? The question has been before the American people for some time, and now more than ever calls for a clear and discriminating answer. It is by no means simple, and the answer cannot be given offhand or in unqualified terms.

Two cases are to be distinguished. First, there may be changes in prices due to general causes, influencing all commodities in much the same way, and showing a steady trend over a considerable period. Second, changes which are due to special causes (such as seasonal fluctuations of crops). These are most conspicuously seen in farm and garden produce and are not so steady, but are liable to be checked or accelerated within a comparatively brief period.

First—the case of general changes in prices, such as all the world has experienced since the beginning of the war. There had been some general advance for many years before, ever since the beginning of the century. Prices went up from 1900 to 1914; but they went up more, and more rapidly, after 1914. In the United States the advance has been particularly great since 1917, when we entered the war. There has been inflation everywhere; prices have risen the world over.

Whenever such a general rise has taken place in the past, wages and like incomes have failed to rise as quickly. Wages have lagged behind prices, and wage receivers have been worse off during the period of lag. All of them do not suffer equally under such conditions. Some even gain; the wages of some go up for a time more than prices, not less. This is likely to happen in the industries which are specially subject to government demand. But wages in general do not usually advance as fast as prices during periods of inflation. The advance has

¹ By Frank W. Taussig, Professor of Economics, Harvard University. *Collier's*. 64:13. September 27, 1919.

always been slowest with the salary incomes received by persons who have a considerable fixity of tenure, such as teachers, public employees, corporate and government officials. If the higher scale of prices lasts a long time, wages and salaries everywhere eventually are adjusted to it. But often there is a reaction before the adjustment is completed. Prices go down again or shift in irregular ways; and hence it may happen that the wrongs are never put right.

Wrongs they are. Wages *should* be adjusted promptly and fully to changes in general prices. The failure to do so is one of the greatest evils of inflation. True, when there are violent price fluctuations, this adjustment often is very difficult to make. Even when the fluctuations are more moderate, it takes time to mark and measure them and act accordingly. But the principle is clear: everything that is possible should be done to prevent the lag. There should be accurate and up-to-date statistics of wages and prices, well-organized labor boards, quick and just action.

The Cause of "Fluctuations"

One of the good sides of modern development is that this principle is not only accepted universally but is acted on more completely than at any previous time. Governments and employers have gone farther toward its application than ever before; the wrong has been probably less than ever before. The improvement has been due partly to awakened social responsibility, partly to the activity of organized labor. There has been great mitigation of this kind of injustice, even though the righting is not complete.

The second case is not so easily disposed of. Suppose there is no change in general prices, but an advance in some things largely consumed. When people speak of the "cost of living" they have in mind chiefly the prices of the food staples. Flour and bread, meat, vegetables, and fruits, are subject to fluctuations of their own. The purchasing power of money wages applied to food may become less, even though in general money buys as much as before. The same discrepancy between money wages and food prices occurs when all prices go up, and wages go up correspondingly, but food goes up even *more*. And the reverse situation may arise and does arise: food prices going down, when general prices are stationary; or, when other prices

are declining, food prices going down *less*. What then? Should wages move up and down in prompt and complete accord with each and every change in this important but not all-inclusive element in the cost of living?

The cause of fluctuations in food prices is usually to be found in crop changes. When the wheat crop is large the world over, bread and flour become cheaper; when it is scant, they become dearer. When our corn crop is good, bacon, ham, pork, and beef fall in price; when it is poor, they rise. Now it is evident that no adjustment of wages can smooth over these fluctuations. When the wheat crop is short, there is so much to be had and no more. The world cannot then consume the same amount as during a full season, for the simple reason that there is so much less to go around. To raise wages by paying more money to every workman, and (as in justice should of course be done) to every other person, would mean simply still higher prices of the food, not more food. It is quite impracticable to put wages up and down according to seasonal shifts in food prices. Possibly *supplies* can be adjusted, through carry-over from season to season; but this, so far as it can be done (there are limits), serves to obviate the very occasion for trying to adjust wages.

Feeding the World

There is another sort of case in which no fair adjustment can be obtained. This is in times of erratic and sudden changes. Such changes may be due to speculative manipulation, or to the plain fact of the world being in a turmoil. The two causes often are at work at the same time; speculation is rife precisely when the world is upset. Then the ups and downs of all prices are unsteady and unpredictable, and the prices of seasonal products are most of all unsteady. Any adjustments made under such conditions to to-day's prices are likely to prove maladjustments to-morrow. Of course these are evil conditions. Every effort should be made to prevent them from arising, and to put an end to them when they do arise.

What now are present conditions?

So far as the general and sustained rise in prices goes, the answer is simple. Of course wages should go up to the extent that prices have gone up. There are statistical difficulties—just in what way measure the changes in prices? what places and

what occupations should be taken as typical and standard for wages? and so on. Yet between fair-minded men there is nothing hard to straighten out.

But when it comes to the prices of food products, and in general the matter of abnormal and freaky prices, our present conditions present knotty problems. Consider the food situation as it stands. There is no crop shortage in the United States. Our wheat crop is well above the average, though not so superabundant as was expected at the beginning of the year. The corn crop is about average, but is excellent in quality. Our meat products are as plentiful as usual. Yet wheat sells at the high price which the Government has guaranteed to the farmers. It sold for even more during the spring; and the Grain Corporation (the Government's agent) does not find it easy to keep the price down to the guaranteed figure. Corn, which is quite unregulated, tends to soar; and so do meats, in sympathy.

All these high prices could not be maintained in face of the adequate domestic supplies if it were not for the foreign demand. Though there is no domestic shortage, there is a world shortage. We are helping to feed the world, and the world is bidding for our food. And we are not only helping to feed the world, but are helping the world to bid against us for our own products. We are lending to foreigners—financing their purchases. We do so not merely because some individuals among us find it profitable, but because the country as a whole approves.

The Government itself appropriated large sums to help feed the foreigners. Private loans now continue to finance the purchase. Through it all we ourselves, as a body, have used our own funds to enable the world to bid for and buy our own food supplies.

Go Slow!

Perhaps we are making a mistake. Perhaps we should keep our food for ourselves, or so much of it as to maintain food prices here at a lower level. The way to do so would be to stop or restrict exports by an embargo. The proposal has been made, but never pressed. There is substantial agreement that we should continue to contribute to feeding the world so long as the acute needs persist. Partly we all feel that this is right;

partly the agricultural producers want it in their own interest. Certain it is that our prices are kept up not only by our own purchases but by the foreign purchases which for the time being we are backing.

Such a situation is unstable. It cannot endure indefinitely. The world will come back sooner or later to a more natural state. Crops abroad will be sown and reaped about as before. Government guarantees will run out. The speculative flurries started by the abnormal conditions will also calm down—not all speculative or market fluctuations, but those due to the uncertainties and irregularities of the moment. How soon the shift to more normal conditions will come, no one can say. Nor can anyone say by what process it will come; whether by a sudden overturn, as is quite possible, or by a gradual transition. All we can be sure of is that the world now is out of joint.

So long as the instability and uncertainty last, it would seem the part of wisdom to go slow in fitting wages to this quarter's or that quarter's food prices, or to a cost of living in which present prices play a dominant part. The smoother and more sustained movement of general prices can be followed in adjustments of wages. I believe too that special care should be taken for maintaining or raising the money wages of the poorest groups of workers—those to whom most of all the price of food is a crucial matter.

For the rest we must face the fact that the world is going through a period both of economic shortage and of social ferment. Inflation is probably at the top notch. This unstable and uncertain situation may continue for some time; perhaps for months, in my judgment hardly for another year. But until the present crop season is over we had better go slow and make no changes likely to be of enduring character. Nothing that is expected to last should be built on a shifting foundation.

All of the above refers to one phase only of wages problems; namely, the way in which money wages should be adjusted to changes in prices and in the cost of living. Back of all debate on this matter lies the controversy at large between employees and employers. Labor wants enough in any event to offset higher prices. But it wants still more, if more can be got. Not only does it want more so far as is possible under existing industrial organization: it is ready to urge radical changes in society if radical changes are necessary in order to

secure more. Here are fundamental questions that will remain with us long after the special monetary questions of the present are forgotten. They are questions that must be faced squarely; and they cannot be settled by any statistical devices or arbitration machinery. They must not be confused with the special problem of the moment—the interrelation of prices, cost of living, and steadiness in the purchasing power of money wages.

MEASUREMENT OF THE COST OF LIVING AND WAGES¹

The great upheaval in prices during the past two or three years has forced into the spotlight of public interest the standard of living as a basis of wage settlement. The cost of living has risen quite suddenly and most dramatically, and unless wages rose with the rise in prices the net result was an actual lowering of the standard of living. For this reason the standard of living has become in a great many cases the basis for setting wages.

Thus the Shipbuilding Labor Adjustment Board has on three occasions raised wages to the extent that the cost of living has risen, having done so on each occasion only after an extensive survey and measurement of the increased cost of living has been made. The National War Labor Board in nearly every case that has come before it for settlement has considered evidence and testimony on the increased cost of living. In perhaps half of the cases they have made a settlement of wages directly on the basis of the increased cost of living, and in many of the cases specific provision has been made for the future readjustment of wages on the basis of changes in the cost of living. The Railroad Wage Commission based a recent raise in wages on the results of a special nation-wide survey into the extent that the cost of living had risen. A number of private employers have raised wages after having had special studies made to determine the extent of the increase in cost of living. A few companies have made provision for periodic (in some cases monthly) increases of wages, in

¹By W. F. Ogburn. *Annals of the American Academy*. 81:110-22. January, 1919.

accordance with the percentage increases in the cost of living. Some of these companies are the Bankers' Trust Co. of New York City, The Index Visible (Inc.) of New Haven, Conn., the Oneida Community, the Kelly-How-Thompson Co. of Duluth, Minn., the George Worthington Co., and the Printz-Biederman Co. of Cleveland.

During the period of reconstruction following the war, if prices should continue to rise, there will be further adjustments of wages on the basis of rising prices. If, on the other hand, prices fall, it is certainly very desirable that wages should not fall more than prices. In either event the changing cost of living will be a prime factor in determining wages, and during the period of reconstruction, social and industrial conditions are likely to be such as to need the guiding hand of a strong public policy. Such a public policy must surely consider the standard of living in any directing or control it may employ on the course of wages.

This enhanced importance of cost of living as a factor in wages occasioned by the war and reconstruction, makes it quite desirable to set forth not only some of the facts of recent changes in the standard of living, but also some of the concepts involved which are not wholly clear to the general observer. Furthermore, as the setting of wages by standards of living depends upon the accurate determination of the standard of living, it is also desirable to show something of the technique that has recently been evolved for measuring this complex phenomenon. For only by such knowledge can the issue thus raised by demobilization be met.

In June of 1918 the cost of living had risen around 55 per cent over the pre-war period. I have spoken of June of 1918 as a point of measurement, because a number of studies were independently made of the increase in the cost of living up to approximately this time, and thus there was not only abundant evidence on the increase in the cost of living but the results were in considerable conformity as to the exact percentage of increase. These studies were made by the U.S. Bureau of Labor Statistics, by the Shipbuilding Labor Adjustment Board, by the Railroad Wage Commission, by the National Industrial Conference Board and by the National War Labor Board. Since June, 1918, the measurement of cost of living has been carried on by the U.S. Bureau of Labor Statistics in various localities.

These results of the bureau are not yet fully tabulated, but upon the basis of data collected in fifteen shipbuilding centers for August, 1918, the average increase up to that time over 1914 was 65 per cent.¹

These figures are not based on wholesale prices, which fluctuate somewhat more widely than do retail prices, nor on food alone, which is only about 40 per cent of the budget, but are based upon food, rent, fuel and light, clothing and sundries. The increased cost of living is found by combining the increased cost of each of these five classes of expenditure, after the increased cost of each class has been weighted according to its relative importance in the budget.

The increase in the price of food is found by taking an average of the increase (or decrease) in some thirty or forty articles of food, each weighted according to the amount spent on it. For a particular locality, prices of each article are taken from eight or ten stores. Food in October, 1918, has increased 75 per cent over the average price for 1914-1915.

The increase in rent for a town or city is found by taking a sample of from 500 to 2,000 houses or apartments, located proportionally in all the districts where workingmen live and finding the average change in rent of these dwellings over the period studied. The increase in rent has not been so rapid nor so great as the increase in most other items of the budget. The changes in rent vary widely from locality to locality. Thus in Detroit from December, 1914, to March, 1918, rent increased 38 per cent, while in Jacksonville from December, 1914, to August, 1918, rents fell one per cent.

The problem in measuring the increase in fuel and light lies chiefly in weighting the changes in price according to the extent that each type of fuel and light is used by the community. In general the increase in coal and wood has been nearly the same in most areas, while changes in rates for gas and electricity vary somewhat by locality. Gas and electricity have usually not changed so much in price, increasing by no great percentage and in rare instances falling slightly. From December, 1914, to August, 1918, fuel and light have increased from 25 per cent to 45 per cent, in most cases being near the latter figure.

Clothing has increased to the greatest extent of any general

¹ The increase in cost of living for New York City up to December 1918 (over December 1914) has been computed and is 75 per cent.

class of expenditure, ranging from 125 per cent to 70 per cent over the pre-war period to August, 1918, in general the increase being around 95 to 100 per cent. The increase in the price of clothing is measured by getting the prices on about seventy-five articles of clothing used by various members of the family from eight or ten stores in the locality, in each store getting the prices if possible on four or five leading sellers representative of each article of clothing. The increases over the period studied for each of these articles of clothing are then weighted according to the amount spent for them by the average family, and the average increase is then found.

Sundries include expenditures for insurance, organizations, furniture and furnishings, education, amusement, sickness, carfare and various miscellaneous expenditures. The increase in sundries is most difficult to get because of the difficulty of getting proper weights and enough large samples for each locality. Most of the studies made have not measured the increase in sundries adequately. From the few careful studies made of changes in prices of sundries, it seems they increase at about the same percentage as the total of the items of the budget.

Some idea of the variation in the increased cost of living in different localities can be had by noting the following figures for the increased cost of living in various shipbuilding centers from December, 1914, to August, 1918, made by the U.S. Bureau of Labor Statistics: Baltimore, 80 per cent; Norfolk, 75 per cent; Bath, Me., 68 per cent; Philadelphia, 67 per cent; Portsmouth, N.H., 67 per cent; Chicago, 65 per cent; Boston, 65 per cent; Jacksonville, Fla., 63 per cent; Portland, Me., 63 per cent; Toledo, Ohio, 63 per cent; New York, 62 per cent; Superior Wis., 60 per cent; Beaumont, Tex., 60 per cent; Savannah, Ga., 58 per cent; Mobile, Ala., 56 per cent. Perhaps more variation is shown by these figures than really exists, because the month of August is an unsatisfactory month to get prices in, as in some cities the autumn prices are quoted and in others the prices of a former season are quoted. Thus when the month of January, 1918, was taken as the point to which to measure the increased cost of living from December, 1914, the variation was only from 40 per cent to 48 per cent for fifteen shipbuilding centers. In shipbuilding centers and localities doing large amounts of war work, perhaps the increase is slightly greater than in other cities, because in many of these

centers of war industries, rent has increased more than in other places. Of course most cities have been doing some war work and this difference in rent must not be unduly pressed. The rise in food, clothing, fuel and certain sundries seems to be general irrespective of locality.

In this manner, then, the increased cost of living has been determined for a definite period and for particular localities for the purpose of increasing wages by the same percentage of increase that the cost of living has shown, thus enabling the same standard of living to be maintained. But in a number of cases this process of raising wages has been unsatisfactory because it is claimed that the standard of living in the pre-war period which was used as the basis for computing an increase was too low. And certainly a number of American wage-earners were endeavoring to live on less than a minimum of subsistence in the pre-war period. The problem then becomes one of determining what is a proper standard of living. To raise wages according to the increase in the cost of living is in some cases not an adequate method of setting wages, and in these cases wages can be settled satisfactorily only by considering the standard of living as well as the increased cost of living.

The problem in such an event then is to determine the proper standard of living. Up to the present time attempts have been made to measure three different levels of living.

The first of these is what might be called the poverty level and for which there have been drawn a number of budgets, principally by various charity organizations and philanthropic societies. Families living at this level receive charity in the form of gifts or free medical service or in other ways. Or if they do not do this they attempt to live on a level so low as to weaken them eventually to such an extent that disease inevitably overtakes them.

The level above the poverty line is called the minimum-of-subsistence level. This level varies of course from country to country. It is spoken of here as the American standard, it being realized that it varies somewhat in different parts of an area so large as the United States. The minimum of subsistence will also change over a period of time, irrespective of the level of prices. What was the minimum of subsistence a number of years ago is certainly not a minimum of subsistence now. Quite a number of budgets have been set for this level in previous

years. The study made by Dr. Chapin in New York in 1907 set such a level. Another was the budget of the New York Factory Investigating Commission in 1914. Such a standard of living corresponds approximately with that of common or unskilled labor, and is what is generally referred to as a living wage.

There has also been a tendency to recognize still another level which has been called the minimum comfort level, which is of a plane somewhat higher than that of the minimum of subsistence. Thus in the autumn of 1917 in Seattle the arbitration board in a strike of the street railway employes accepted a budget of \$1,500 for a family of five. The settlement was made on the basis of a budget, drawn after considerable study, and called the minimum comfort budget.

The poverty budget at the charity level is chiefly of concern to charity organizations, and it is hoped that less and less attention will have to be paid to this type of budget. On the other hand, the budget at the level of the minimum of subsistence is of the utmost importance because it determines the line below which American families ought not to be allowed under any circumstances to sink. In some localities, sufficient careful study has been made of the minimum of subsistence by various students to lend considerable confidence to the accuracy of their results. Thus, in 1907 in New York City, Dr. Chapin after a very careful study said, "An income under \$800 is not enough to permit the maintenance of a normal standard. An income of \$900 or over probably permits the maintenance of a normal standard, at least as far as the physical man is concerned." For 1914 in New York City the New York Factory Investigating Commission set a minimum-of-subsistence budget at \$876. And in 1915 the Bureau of Personal Service of the Board of Estimate and Apportionment of New York City made a minimum budget estimate for an unskilled laborer's family in New York of \$845. These budgets therefore approximate the minimum of subsistence for New York City before the present great increase in the cost of living, which was first markedly noticeable in the late summer of 1915. If the minimum of subsistence in pre-war times was between \$850 and \$900 for a family of five, what is it now since the great upheaval in prices?

A good deal of investigation has been made on the prob-

lem of what is a minimum of subsistence in America today by the cost-of-living department of the National War Labor Board. In the early summer of 1918 this level was described by a budget drawn up item by item. This budget was based largely on data collected by the U.S. Bureau of Labor Statistics, and was worked up in consultation with various experts. This work showed that for a family of five to maintain the minimum of subsistence in a large eastern city in June of 1918 an income of \$1,380 was necessary. Approximately this estimate was confirmed by a totally different method of approach, namely, by applying the percentages of increase in cost of living to well-recognized budgets worked out in former periods. The increase in food, in rent, in fuel and light, in clothing and in sundries was added to the estimates in former budgets, and so brought up to date. Thus, Dr. Chapin's budget for New York City in 1907 would cost in June, 1918, \$1,390. The budget of the New York Factory Investigating Commission would cost \$1,360 and that of the New York Board of Estimate would cost \$1,320. It is possible to use still another method of estimating the minimum of subsistence. In minimum-of-subsistence budgets food usually costs about 44 per cent of the total, so if we know the cost of food we can estimate the total budget. The U.S. Bureau of Labor Statistics collected 600 dietaries in the New York Shipbuilding district, which cost on the average \$607 a year, the families averaging 3.6 equivalent adult males. Upon analysis this average dietary based on 600 cases yielded only 3,155 calories per adult per day, not allowing anything for waste. So if we consider \$615 as the cost of food per year for a family of 3.4 equivalent adult males, we get a total budget of \$1,390. It seems fairly clear then that in June, 1918, the minimum of subsistence for a family of five living in a large eastern city was from \$1,350-\$1,400. If the cost of living since June, 1918, to the present time (November, 1918) has risen 10 per cent, then the minimum of subsistence at the present time costs about \$1,500 for a family of five in a large eastern city.

Not very much attention has been given to standards of living above the subsistence level for the purpose of setting wages. But the department of the National War Labor Board on the cost of living drew up for the consideration of the board a budget above the subsistence level which was called the

minimum comfort level. In June, 1918, the cost of this budget was \$1,760 per year for a family of five. These facts will give the reader fairly good ideas of various levels of the standard of living since the great change in prices.

The importance of the standard of living as a factor in determining wages during reconstruction will probably occasion a good many attempts to define and measure the standard of living in various industries and in various parts of the country. Such a probability makes it desirable here to develop somewhat the concepts involved in the standard of living and the method of determining proper standards.

The general reader is not at all times fully aware of the following concepts. A standard-of-living budget for wage-earners is thought of by some, and erroneously so, as fitting a particular individual family rather than an average family. But budgets for the purpose of wage adjustment are drawn not for a single family but for a group of families. Hence the items of a budget should be average items. Thus in a particular community the men in some families will ride on the street car twice a day for every work day in a month. Men in other families will not ride to and from work at all. So an average budget for such a community might put down expenditures of the man for car fare for thirty car rides a month, although no man in any family would ride exactly this number of times a month, no more and no less. It is rather an average expenditure of those who ride to work and those who do not. Similarly, the number of suits of clothes bought per year might be expressed in fractions. Items of expenditure are therefore generalized. It follows from the above analysis that items of expenditure should not be set at the lowest possible figure for an individual but for the group as a whole. Thus some men may need only 2,500 calories a day while some will need 6,000 calories, the average for a man at moderately hard work being probably 3,500.

Another conception necessary for a clear understanding of setting wages by constructed budgets is that budget estimates must not be ideal. It cannot be assumed for instance that a housewife has the expert training of a domestic science expert. Nor should budgets be constructed without an allowance for tobacco, when we know that it will be impossible practically for a community to live according to such ideal

rules of expenditure. On the other hand it seems questionable whether such constructed budgets should conform absolutely to practice. The expenditure in actual practice will be a function of the income received and as the income is what we want to determine, there is danger of getting in a circle. For instance, families of a group of workmen may spend only \$18 a year for sickness; whereas they should spend more, as we know from data gathered in sickness surveys that they need to get more medical attention than \$18 will buy. Budget estimates, however, should conform fairly closely to practice.

Budgets are usually constructed for a family of husband, wife and three children. This custom is justified on the grounds that public policy should encourage early marriage and that to prevent the population from decreasing, at least two children should be reared to parenthood.

Formerly budget estimates included chiefly food, rent, fuel and light, and clothing; other items were neglected to a great extent. Food, shelter and warmth were thought of as the minimum of subsistence. We now know that food, shelter and warmth are not the only necessary needs. And so considerable attention is being paid to other items of expenditure in budget making. For instance if we find large numbers of families who do not get enough food and who do not get medical attention when sick, yet frequently attend moving picture shows, the proper conclusion would seem to be that recreation is a necessary need as truly as food, and we know that in American life recreation costs some money. Hence expenditures for recreation should be written into a minimum-of-subsistence budget. And so it is with sundry items.

To some persons not familiar with budgetary studies, the determination of the level of subsistence seems a matter of opinion rather than of science. But there are many scientific approaches to the problem and various ways of eliminating the personal bias. This method cannot be gone into at length here but some of the devices used for locating the point of subsistence may be set forth briefly.

The food requirement can be found by subjecting to food analysis a number of actual dietaries. The cost of that dietary actually used which furnishes the requisite number of calories, grams of protein and the necessary chemical constituents will be set as the minimum amount of expenditure for food for

subsistence. The amount for rent can be estimated by selecting a standard house of, say, four or five rooms with bath and finding the average rental for various localities in the community. Or if a number of budgets have been collected, the minimum rent may be determined at a point where overcrowding ceases to exist, having determined some standard for overcrowding, as for instance one or one and one-half persons to a room. Perhaps a fair method of determining the fuel and light necessary is to compute for various types of heating apparatus in houses of a certain size the amount of fuel and light used by families that are known to be just above the poverty level but clearly so. The minimum of subsistence in clothing is perhaps most difficult to determine. The usual procedure is to adopt a certain estimate of clothing upon which there has been a fair amount of agreement, such as one overcoat every three years, one hat a year, one cap a year, one suit of clothes a year and so on. At this time of changing prices it is difficult to express these units in price terms which will show agreement. If a number of family schedules have been collected, it is possible to locate a point where the expenditure of clothes for the wife is say 75 per cent of the expenditure for the clothing of the husband, or some such point agreed upon. It is known for instance that when the clothing allowance is too low, the expenditure for the wife's clothing is only a small percentage of the expenditure for the husband's clothing, and that when the allowance for clothes is bountiful that the expenditure on the wife's clothing equals or exceeds that for the husband. There is no general rule for determining the amount necessary for sundry expenditures. The amount for car fare is broken into three classes, that necessary for the husband to spend in going to and from work, that necessary for children to go to and from school, and other car fare; in this way the amount can best be approximated. The amount for sickness can be estimated from a study of the average number of days of sickness a year. There are also various ways of getting expert testimony on the amount of insurance necessary. And so one can set a minimum standard throughout the items of the budget.

Considering the budget as a whole, there are various guide posts that readily tell when the poverty line is passed. Usually, gifts of clothing are indicative of poverty. So also, the method of obtaining fuel, known as "gathering fuel" is often an index

of poverty. The point also at which the family ceased to be in debt is significant. Thus in the District of Columbia in 1916 families with incomes lower than \$1,150 were on the average in debt. Usually all these various tests converge upon a particular income and this is spoken of as the minimum-of-subsistence standard.

Formerly, budgets determining standards of living were expressed only in prices. Now, however, at a time when prices are changing very rapidly, a budget expressed in prices is not very intelligible and will be less so the further back the period which it represents. The need is therefore quite manifest for a budget expressed in quantities as well as in prices, and the items should be described also as fully as possible. It is greatly to be hoped that future budget studies will be in terms of quantities adequately described. Furthermore, the more fully a budget is described, the more accurate is the measurement.

Enough has been indicated to show what sort of measurement is necessary if the standard of living is to be used in wage settlements. A budget study of a particular community is quite a difficult undertaking, involves considerable technicality and is quite expensive. In a country as large as the United States and possessing so many localities where wages may be adjusted on the basis of the cost of living, it is an impossible undertaking to make a budgetary study in every community. It would seem that such a difficulty could be met by estimating the cost of living in a city for which we have no budgetary study and by finding the price differential from a city for which we have budgetary studies. In the wage adjustments of the National War Labor Board during the war a very great need was felt for some quick method of determining the differential in cost of living between one city and another. For instance, the wage may have been set in Philadelphia for street car employes on the basis of the cost of living. It is also desirable to set wages in New Orleans for street car men, but there is no cost of living study in New Orleans. It would be much simpler and easier to set the wages in New Orleans if such a differential were known.

But so far there seems to be no quick way of telling how much less it costs to live in New Orleans than in Philadelphia, except by full budgetary studies. It would seem that the way to measure this differential would be to get the prices of an extensive list of commodities such as food, clothing, rent, etc.,

in Philadelphia and in New Orleans, and the average difference in prices will be the differential in living costs between the two cities. The difference between the prices of the identical commodities between the two places would be very slight indeed. But if determined it would only mean the difference in prices and not the difference in the cost of living because of differences in habits of living. For instance, the dietaries in New Orleans are quite different from those in Philadelphia. The same articles of food would cost on the average about the same in the two places; but a dietary yielding just as many calories in New Orleans as a different dietary would yield in Philadelphia apparently will cost considerably less. Similarly so simple a differential to measure as rents may be nevertheless difficult to determine, the type and size of house in New Orleans being quite different from that in Philadelphia. There are climatic differences which affect standards in consumption of fuel. Also common brands of clothing between the two places are very few. So it is very difficult to estimate differences in cost of living between two places without making full budgetary studies. As the difference in cost of living between any two places is in most cases small, the error in rough approximations is too great. Probably the best way to handle this problem is to have very careful budgetary studies made in representative localities in representative districts, as for instance in small towns, large towns and large cities in the various geographical areas, and to use the differential thus carefully determined as representative of other differentials. This the U.S. Bureau of Labor Statistics is engaged in doing at the present time.

This point is extremely important in forming any really national policy on wages. At the present time there are considerable differences in levels of wages in different parts of the country. Some observers justify these local or territorial differences by saying that the cost of living is quite different in these areas. Others on the other hand reply that the differences in the cost of living in the various areas are different because wages determine the cost of living and that a uniformity in wages would bring a uniformity in living costs. They say that the identical standard of living prices in the various territorial districts would be very nearly the same in cost in all localities. Obviously such a problem as this should be solved before a satisfactory national policy in regard to wages can

be declared. The Railroad Wage Commission and the Ship-building Labor Adjustment Commission, both handling wages on a national scale, have been confronted with this problem. In general their findings have been that the differences in the cost of living in various parts of the country are not so great as are popularly supposed.

In conclusion, then, it must be recognized that there are various determinants of wages, supply and demand, productivity and the standards of living; and these are variously interrelated. In a period of laissez-faire conditions, supply and demand operate particularly strongly. But with the development of social control and the growth of social justice, the standard of living plays a large part in the determination of wages. This has been true particularly during the war because of the increase in prices and the necessity of a high degree of social regulation and control. During the period of demobilization and reconstruction, the standard of living should be equally as important in national consideration. For the gains of democracy, whether it be political or economic in the last analysis, certainly come down to one important base, the standard of living. The standard of living must also be very seriously considered in formulating any national policy in regard to wages. The importance of the standard of living in the adjustment of wages then has been the reason for setting forth in this paper the definition of important concepts involved, something of the technique of measurement recently evolved and also a few of the more important facts in regard to the extent in the rise of the cost of living and the present levels in the standard of living.

THE INDEX NUMBER WAGE¹

A Scientific Method for Adjusting Wages to the Cost of Living

There are but few who understand that the science of political economy is comparatively young. Adam Smith's classical work upon the "Wealth of Nations" was not published until 1776, and prior to that time commercial enterprise generally went hand in hand with military aggression. Trade, or at least international trade, was predatory in its character, and the hope

¹ By Theodore H. Price. Outlook. 121:742-3. August 30, 1919.

of finding peoples and countries that they might exploit and pillage was the chief inspiration of the explorers of the fifteenth, sixteenth, and seventeenth centuries. As long as commercial supremacy was a question of physical prowess, a knowledge of economic law was not essential in its attainment.

It is therefore chronologically appropriate that the birth of economic science as we know it to-day should have been contemporaneous with the French Revolution and the establishment of the American Republic, which were the result of the first really successful efforts that society had made to substitute the law of right for that of might.

In the days of Adam Smith and for fifty years thereafter there was, however, but little international trade and practically none of the international community of financial interest that exists to-day. Great Britain's imports and exports in 1750 were valued at an aggregate of only £17,400,000.

In 1915 they were worth £1,403,555,065, or eighty times the total of 1750, while the population in the interval had only multiplied itself by seven, having been 6,517,035 in 1750, as against 46,089,249 in 1914.

In the year 1800 and previously loan and deposit banking as it exists to-day was practically unknown. Most transactions were settled by the payment of gold or silver, and the supply of these metals must have been altogether inadequate, for, according to Soetbeer, their production during the forty years ending with 1799 averaged less than \$45,000,000 annually, as against a present average of about \$700,000,000 a year.

It was not until labor-saving machinery had made production on a large scale possible, and steam provided a prompt and reliable means of transportation, that the development of modern commerce commenced, and it was only when distance and time were annihilated by cable and telegraph that prices throughout the world began to fluctuate in unison and the law of supply and demand became so "delocalized" in its operation that generalizations in regard to it were safe.

All of which is by way of explaining the meagerness of the historical data that are at the disposal of the economist to-day.

There are military and political histories of the nineteenth century without number, but an adequate history of the world's trade and finance in that period remains to be written, although it is the first century in which there was really any trade and

finance that could properly be described as international or world-embracing.

Even now the records that are essential to a thorough knowledge of the subject are obscure or unavailable in many countries, and the differences of language, currencies, weights, and measures are so numerous that accurate and intelligent comparisons of prices are exceedingly difficult.

It is therefore manifest that a precise determination of what is called the decreased purchasing power of money is impossible, but in what has come to be known as the "index number" we have the first scientific effort that has been made toward this end, and as such it is worthy of the careful study of those who look forward to the time when wages and prices shall be intelligently regulated in conformity with economic law and the costs and wastes of strikes and deceptive bargaining shall be avoided.

The index number is the sum or average of the prices of the commodities that are essential to civilized existence. To be of indicial value the prices of which it is representative must be marshaled on successive dates, and a comparison between the total or average of the figures thus obtained will show the average percentages of advance or decline in the prices of the commodities included during the period under consideration.

Inasmuch, however, as the wants of civilized man include a great many different things which are consumed in different proportions, it will readily be seen that an index number to be accurately reflective of the cost of living must be not only an average of the prices of a large number of articles, but a "weighted" average, in the computation of which the price of each article or group of articles is multiplied by a factor which about equals the ratio that the consumption of the article or group bears to the total normal consumption.

Thus the index number compiled by R. G. Dun & Co. and known as "Dun's Number" is used in this discussion because it includes the prices of some three hundred products, so arranged that foods count for about fifty per cent of the total, textiles for eighteen per cent, minerals for sixteen per cent, and other commodities for sixteen per cent. While this division is of course arbitrary, it is probably an approximation to the fact, and the number of commodities included is certainly larger than the number used in the composition of any other index number of which I have knowledge. Among the other authorities pub-

lishing index numbers are "Bradstreet's," Babson, and the United States Bureau of Labor Statistics in the United States, the "Statist" and the "Economist" in England, and the Department of Labor in Canada. Index numbers are also officially or unofficially compiled in Australia, Austria-Hungary, Belgium, Denmark, France, Germany, India, Italy, Japan, Netherlands, New Zealand, Norway, Russia, and Spain.

"The Making and Using of Index Numbers" is the title of an exceedingly interesting pamphlet of 325 pages prepared by Professor Wesley C. Mitchell and published as Bulletin No. 173 of the Bureau of Labor Statistics at Washington.

It is to be obtained upon application to the Department of Labor, and I recommend it heartily to those who may desire to inform themselves in regard to the history and technique of a statistical formulary that is likely to have great weight and be of great practical assistance in solving many of the economic problems of the future.

Already the "Index Number Wage" has been adopted in several American industrial establishments. Those that I happen to have heard definitely of are the Oneida Community, of Oneida, New York; the Kelley-Howe-Thomson Company (hardware), of Duluth, Minnesota; the George Worthington Company (hardware), of Cleveland, Ohio; the Printz Biederman Company (clothing), also of Cleveland; the Index Visible (Inc.), of New Haven, Connecticut; the Mishawaka Woolen Manufacturing Company, of Mishawaka, Indiana; and the Union Bleaching and Finishing Company of Greenville, South Carolina. The details of the plans followed in each case differ slightly, but generally they take as a base the wages paid on a certain date upon which it is assumed that earnings and the cost of living bore an equitable relation to each other. On subsequent pay days the employees have received two envelopes, one containing the "base wage," and another, sometimes called the "H. C. L. Envelope," which contains a percentage of the base wage equal to the percentage of advance in commodity prices over those current at the time when the base wage was established, as shown by the most recently published index number.

A variant of this method has been applied in the case of the wages paid to the employees of the county of Cuyahoga, Ohio, in which county Cleveland is situated.

I believe that the general adoption of an Index Number Wage will provide a permanent solution for many of the problems that must confront both the employer and employee as the purchasing power of money changes. Such a wage, automatically rising and falling as the cost of living fluctuates, would to a great extent obviate strikes, lessen discontent, and reconcile the wage-earner to lower wages when prices decline, because he would realize that when they went up again his pay would be increased without any demand on his part. The Index Number Wage would also lead the employee to become a student of economics and practice an intelligence in buying that would make extortion or profiteering on the part of the retail merchants with whom he dealt extremely difficult. The head of one of the establishments that has adopted the Index Number Wage tells us that his employees admit that their money "goes much further" than it used to, because their "H. C. L. Envelopes" contain a slip giving the wholesale prices of most things that they need, and by comparing it with the retail prices demanded of them they can see whether they are being overcharged or not.

But it is in our greatest industry, namely, transportation, that the adoption of an Index Number Wage seems to promise the most desirable results.

It would promote not only a feeling of contentment among the employees, because they would have a consciousness of equitable treatment, but it would also bring the public to a better understanding of the problem that the railway managers have had to face latterly and reconcile the patrons of the roads, be they travelers, shippers, or consumers, to the advance in rates recently established or any further advance that may be necessary.

As we look back over the records since 1896, we are driven to the conclusion that railroading is the only business in the United States in which the charge for the service rendered or the article sold does not bear some relation to the cost of production.

In the case of transportation, the cost of production is in the last analysis the cost of the labor employed, for whether this cost of labor is reflected directly in the wages paid, or indirectly in the cost of the materials (fuel, oil, steel, etc.) purchased, makes little or no difference. If coal costs more, it is because the miners are better paid. If steel rails are higher, the advance

reflects the higher wages paid for their fabrication. If oil has increased in price, the enhancement is due to the greater cost of the human energy required for its production; and so it is all along the line. The cost of providing transportation is almost entirely made up of the cost of labor. There may be some who will take exception to this statement and claim that since the interest paid on the capital invested or borrowed does not go into the wage-earner's pocket it is not accurate to assert that this element of cost fluctuates in relation to the cost of labor or the cost of living, which have latterly become terms that mean nearly the same thing.

This might be true, were it not for the fact that all parts of a railway are constantly wearing out and have constantly to be renewed. The amount of the original investment and the rate of interest thereon may be static, but the material or labor used in necessary replacement as the rails or bridges first purchased wear out represents human energy that must be paid for at the market rates. It is therefore clear that, except as to the profits paid out in dividends or carried to surplus account (which aggregate hardly more than ten per cent of the entire gross revenue), the railway business is simply one of *buying and selling human energy, either physical or mental*.

In the light of this statement it would be natural to expect that railway rates, railway wages, and the cost of living would fluctuate in unison, but this has not been the case. Since 1896, until Mr. McAdoo raised them last summer, freight and passenger rates have been practically unchanged and wages were advanced but little, while the cost of living has steadily increased. The existence of this anomaly is made clear by the chart and tabulated comparison on the preceding page.

The lines which run irregularly across the chart follow the fluctuations recorded since 1896 in the cost of living and railway rates in the United States as shown by the tabulated figures. It is assumed that the average revenue received by the railways for hauling a ton of freight or a passenger one mile represents, as it does, the charge made for transportation, and that Dun's Index Number, which is used, reflects the changes in the cost of living recorded from year to year.

Lack of space makes a more detailed description of the method used in the computation impossible, but the significance of the figures will perhaps be better understood if it is ex-

plained that they show that the necessities of life which could have been bought at wholesale for \$72.45 on July 1, 1897, would have cost \$233.22 if bought on October 1, 1918. From July 1, 1917, the index number figures are given month by month, as the advance immediately after the United States entered the war was almost unbelievably rapid, and the freight and passenger rate for both the first and last half of 1918 are closely estimated because the official averages have not yet been made up. A careful study of these exhibits will show that, even including the advances established last summer, freight and passenger rates are but twelve and twenty per cent higher, respectively, than they were in 1896, while the cost of living has risen over two hundred per cent.

It is not surprising that under such conditions the railway employees were impelled to use every means at their command to secure an increase in their pay, and that the railway managers resisted their demands because the Interstate Commerce Commission would not permit an advance in rates.

Discontent, strikes, reluctant concessions to the wage-earners, impaired efficiency, and the near bankruptcy of the railways were the consequences, complete insolvency being averted only by the action of the Government in taking over the transportation industry on January 1, 1918.

When this was done, it immediately became clear that a substantial advance in the wages of railway employees was necessary in order to retain their services and enable them to live. It was granted, and freight and passenger rates were afterward advanced by twenty-five and fifty per cent, respectively, in the hope that the increased revenue secured would offset the increased cost of labor. The advance in wages allowed, plus the advance in the cost of supplies, has, however, proved to be greater than the increase in revenue resulting from the advance of rates, and a deficit of approximately \$200,000,000 for the first year of Government operation is the result.

This deficit is plainly due to the previous maladjustment or lack of adjustment between costs and rates.

If in 1896 it had been practicable to establish, and there had been established, an Index Number Wage and an Index number freight and passenger rate in the railway business, how much trouble and distress would have been avoided!

Now that the railways are under a single management, is it

not practicable to do something of the kind? It should not be necessary to advance rates in the same proportion that wages were increased. Allowance should properly be made for the greater operating efficiency that is the result of scientific progress and the reduction in overhead costs that is possible with an increased density of traffic, but the experience of the last twelve months shows that the public do not object to paying higher rates when there is good reasons for them; and no clearer *demonstrandum ad hominem* of their reasonableness can be furnished than the evidence of increased cost of living and of labor that the index number supplies.

Since the foregoing was written I notice that the Index Number Wage has been adopted in England in the case of at least one important concern, as witness the subjoined clipped from the New York "Journal of Commerce" of April 13, 1919:

London, March 14.

Announcement was made by Lord Harris, Chairman of the South African Gold Trust, Ltd., at its annual meeting, that an arrangement had been entered into with the clerical forces whereby the bonus paid the staff would be regulated by the cost of living, *i. e.*, it would fluctuate with this cost as indicated by Sauerbeck's index number of commodity prices. The agreement provides that the bonus should be represented by the index figure at the date when the arrangement was made, and that salaries shall not fluctuate below a certain minimum recognized as the pre-war standard.

METHODS OF COMPENSATION

(a) WAGE METHODS AND BONUSES

WAGES, HOURS AND INDIVIDUAL OUTPUT¹

The Economic Law of Wages

The question of compensation is inseparable from the general wage problem. Limitations of space preclude a discussion of the theory of wages and those interested in the problem are referred to standard theoretical works on the subject. Nor would the theory of wages as developed by economists be of much practical aid for the purposes for which this volume is published.

The Marxian theory, which is held by the Socialists and is the ultimate logical elaboration of the classical theories of Smith and Ricardo, holds that wages are determined by the cost of maintaining a worker and his family at the standard of living prevailing in society at a given time. As the standard of life is, however, a very elastic quantity varying greatly among different groups of workers living in the same country and in the same period, the Marxian theory, whatever its theoretical merits, is of little practical value for our purposes.

At the other extreme of economic thought is the "marginal utility" theory which is today the accepted theory in our schools and universities. According to this theory, the rate of wages is determined by the marginal or ultimate utility of productivity of labor, that is to say, by the specific contribution which the last available laborer makes to the necessary product of society.

The two theories really supplement one another, and mark the limits within which wages fluctuate in actual practice under the varying and interacting influences of supply and demand.

¹ By N. I. Stone, *Labor Manager*, Hickey-Freeman Company, Rochester, N. Y. *Annals of the American Academy*. 85:120-45. September, 1919.

Under the most unfavorable combination of these two factors wages cannot permanently remain below the prevailing cost of living of a workman's family without disaster to the workers as well as to the entire economic structure of society. On the other hand, wages cannot permanently rise above the value of the product contributed by labor, since no industrial enterprise, be it large or small, could survive in the struggle of competition, if it continued for any length of time to pay out more in wages than its labor force has contributed to the value of its products.

Between these two extremes there is an endless gradation of rates of compensation determined by a variety of circumstances, among which the supply of and demand for labor, the prevailing cost of living, the productivity of labor and, last but not least, the strength of labor organizations exercised in collective bargaining, play the chief part.

The process of "bargaining," in a broad sense is the most conspicuous factor in wage determination. The bargaining may take the outspoken form of a bargain driven between a single employer or an association of employers on the one hand and an individual workman or a workmen's union on the other; or it may be disguised under the form of a workman hunting a job and accepting what he is offered when the supply of labor exceeds the demand or, vice versa, of employers scouring the market for labor and paying what the workman demands when the demand for labor outruns the supply, as was recently the case at the height of war activities. In either case the bargaining process goes on, with labor handled as any other commodity, the buyer (the employer) trying to get his commodity as cheaply as he can, and the seller (the workman) striving to obtain the highest possible price.

Were the analogy between labor and any other commodity complete, there would be nothing further to be said on the subject. The similarity between labor and other commodities, however, ends at this point. For, while the seller of an ordinary commodity parts with it as soon as he has delivered it to the buyer, the seller of the commodity known as "labor" is inseparable from it. It is from this circumstance that all the perplexities of the modern labor problem spring. And it is to the failure on the part of employers to take this fact into account that most of the "labor troubles" can be traced.

Wages and Labor Cost

Even in buying ordinary commodities we have learned that the lowest priced article is not necessarily the cheapest. An experienced buyer will consider not only the price he is asked to pay, but also the quality of the article he is getting in the bargain. Unless the article is a staple commodity absolutely standardized under market requirements, such as wheat or pig iron, the lowest price will not necessarily mark the most economical purchase. A suit of clothes made of shoddy, though looking exactly the same as one made of virgin wool, will not last as long and, though selling at a much lower price, will prove the more expensive of the two, when the price paid for each suit is divided by the number of months of wear each gave.

This elementary truth is recognized by every experienced employer and foreman in comparing the usefulness of different employes; the worker who possesses superior skill or, who with the same skill works with greater speed, is always preferred and is readily offered a higher wage than the prevailing rate for workers of average speed or skill. But that the same labor force can be made cheaper by raising its wages or shortening its hours of labor, or both, is still an unknown fact among the great body of employers, superintendents and foremen, and, when stated, is regarded with distrust and with doubt in the practical wisdom of the man who advances this view. Yet, it has now been accepted as an elementary principle of the science of management among industrial engineers.

Stated baldly, the proposition that high-priced labor is cheaper than low-priced labor, and that shorter hours are more productive than long ones sounds like a paradox. If that be true, then the age-long struggle between capital and labor for higher wages and shorter hours has been the most tragic misunderstanding in history in which the employers have wasted millions of dollars and countless lives fighting against their own interests; while labor, trying to improve its own lot, has unwittingly fought for capital's best interests, trying to save it from its own folly.

The misunderstanding is easily explained. All things remaining equal, the higher the rate of wages, the greater the labor cost of the manufactured product. This is perfectly logical, but rests on the false premise that all things remain the

same when a change in wages occurs. As a matter of fact, they seldom, if ever, remain unchanged. The mere increase in wages will not of itself produce the miracle, unless labor is so underpaid as to cause the workers to be poorly nourished, inadequately clothed, and housed under unsanitary conditions. In that case a substantial increase in wages which would enable them to eat nourishing food, wear clothing that will protect them against surroundings will of itself improve the condition of the individual worker as a producing machine so as to increase greatly his productivity. It is but a common sense application of the rule which prompts a sensible man to feed his horse oats, instead of keeping it on an exclusive diet of hay and to provide well sheltered, clean and sanitary barns for his cattle, instead of neglecting them as a stingy, short-sighted farmer is apt to do. It was because of facts like these, that the Ford plan of providing a minimum rate of \$5.00 a day, practically doubling the earnings of the bulk of his employes, proved such a huge success, and instead of increasing his cost of production, produced the opposite effect.

With the war over and international trade about to resume its interrupted course, the cry for protection of American labor against the pauper labor of the old world again resounds through the country and the majority party in Congress bases its program for an immediate revision of the tariff almost solely on that ground. It is therefore felt that the universality of the law that high wages and short hours spell lower costs rather than the opposite, requires further demonstration.

The writer's attention was drawn to this aspect of the problem with particular force, while it was his good fortune to come into intimate contact with some of our industries when in charge of investigating into the cost of production for the United States Tariff Board. Some of the most important facts ascertained in those investigations will therefore be reproduced from an earlier statement by the writer:¹

The first fact established by the Tariff Board was there is no such thing as a cost of production in a given industry not only in one country, but even in the same city.

As confirmed by the later investigations of the New York State Factory Investigating Commission, and the Massachusetts Commission in other industries, and of the Wage Scale Board of the Dress and Waist Industry in New York City, the tariff board found that establishments existing side by side and competing in the same market are paying wages differing as much as 50 per cent for substantially the same grade of labor.

¹ N. I. Stone. *Is the Minimum Wage a Menace to Industry?* Survey—February 6, 1915.

It also found that neither the labor cost nor the total cost of production varies in a direct ratio with wages.

Thus in paper and pulp manufacture it was found that the labor cost of making a ton of news-print paper in the United States varied from \$2.19 to \$7.26 per ton.² The most remarkable fact about it was that the mills paying the lowest wages and having a twelve-hour day, had a higher labor cost per ton of paper than those paying the highest rates of wages and having an eight-hour day.

The solution of this puzzle lies in the chapter of the report dealing with the efficiency of equipment in paper mills. Mills were found to vary greatly in this respect. Some had machinery thirty years old; others boasted of machines with latest improvements. The older machines had a capacity of 17 tons in 24 hours, whereas the newer machines could produce 50 tons. The result, according to the tariff board report (page 52), was that the machine cost of labor per ton of paper was \$1.84 on the old and only 82 cents on the new, the same rate of wages being paid to the machine tenders in each case.

But important as the mechanical equipment is in determining the efficiency of labor, the human equation responds even more readily to variations in wages and hours.

When the agitation for the removal of the import duty on news-print paper resulted in an inquiry by a special committee in Congress, a representative of the largest paper mill company in the country pointed to the fact that they had recently reduced the hours of labor from twelve to eight, without reducing the weekly rate of wages, incurring a corresponding increase in their labor cost. The figures secured by the tariff board from the books of several mills (including those to which reference was made before the committee of Congress) showed a diminution in the labor cost per ton of paper from \$4.35 to \$3.73 in 1909, under the eight-hour system. In other words, an increase in the hourly rate of wages to the extent of 50 per cent not only failed to result in a corresponding increase in the cost of labor per ton of paper, but was accompanied by an actual lowering in cost. Though the figure of \$4.35 in 1908 happened to be the highest in ten years, the tariff board report (page 79) showed that there was not a single year in that decade under the twelve-hour system which showed as low a cost as in 1909, the first year under the eight-hour system. On the other hand, when it is remembered that during a large part of the year of 1906 the mills were idle owing to the strike for shorter hours, and that costs are usually above normal when a plant is started up after a period of idleness, there is every reason to believe that the labor cost was still further reduced after 1909.

Yet it cannot be said that there was a radical change in the equipment of the mills to which these figures relate, immediately following the introduction of the eight-hour shift. The change was due largely to the increase in the personal efficiency of the workers under the shorter day. The duties of a machine tender in a paper mill consist chiefly in watching the thin liquid sheet of paper as it first appears on the large cylinder of the machine. A slight twist at the outset will result in reams of paper being torn on the cylinder, and a mad rush of all the tenders in an endeavor to set things right; and it will frequently require a complete stoppage of the machine, all of which greatly increases the cost of production. The fatigue caused by twelve hours of such nervous and physical strain, had resulted in a much greater proportion of damaged paper and interruption of work than was the case after the adoption of the eight-hour day.

With the hours of labor cut down from twelve to eight, the machine tender was relieved from duty during the last four hours which were the most trying to the nerves and muscles of a worker, when his alertness and general efficiency were at their lowest ebb. The reduction of hours not only enabled him to leave the mill less fatigued than formerly, but with the resting period increased by four hours a day, the recuperation was more thorough; so that his alertness of mind and body was greater upon his return to work than under the old system it used to be even during the first eight hours. With his mind and body more alert, he was able to detect in time imperfections which formerly escaped his attention.

² U. S. Tariff Board Report on Pulp and News-Print Paper Industry, 1911, p. 39.

This resulted in so great an increase in the relative time the machines were in actual operation (free from breakdowns and stoppages), accompanied by a reduction in the quantity of damaged paper on which, in the preceding stages of production, labor had been wasted, that the labor cost of production of paper declined, in spite of the increase in the hourly rate of wages, by as much as 50 per cent.

Even more striking proved many of the facts disclosed by the investigation of the cotton industry. In spite of higher wages prevailing in the United States, as compared with England, and the longer start which the English cotton industry has had over the American, it was found that many varieties of cotton goods, including some of the finest women's dress goods, were sold at lower prices in the United States than in England, and exported to Canada in competition with British goods despite the preferential tariff in favor of England which places imports from the United States at a disadvantage.

That American cotton goods compete with English in China and South America, was known before the tariff board made its investigation. But fear was expressed of the coming menace of Japanese competition with its fifteen-cents-a-day weavers. The tariff board, therefore, extended its investigation to Japan, and figures compared with similar data for corresponding mills in the United States led to the startling revelation that, with the superior American machinery and superior personal efficiency of American labor, the American weaver receiving \$1.60 a day was in certain cases cheaper than the Japanese weaver at 18½ cents a day.³

A study by the tariff board of labor efficiency in the various processes of wool manufacture showed that almost invariably the mills paying higher rates of wages per hour, produced goods at a lower cost than their competitors paying lower wages.

Thus, in wool scouring the lowest average wage paid to machine operatives in the thirty mills examined, was found to be 12.16 cents per hour, and the highest 17.79.⁴ Yet the low wage mill showed a labor cost of twenty-one cents per hundred pounds of wool, and the high wage mill had a cost of only fifteen cents. One-half of the difference was accounted for by the fact that the low wage mill paid nine cents per hundred pounds for supervisory labor, such as foremen, whereas the high wage mill paid only six cents, showing it had more efficient management.

In the carding department of seventeen worsted mills, the mill paying its machine operatives an average of 13.18 cents per hour had a machine labor cost of four cents per hundred pounds; while the mill paying its machine operatives only 11.86 cents per hour had a cost of twenty-five cents per hundred pounds. This was due largely to the fact that the lower cost, high wage mill had machinery enabling every operator to turn out more than 326 pounds per hour, while the high cost, low wage mill was turning out less than 48 pounds per hour.

The same tendency was observed in the carding departments of twenty-six woolen mills. The mill with the highest machine output per man per hour, namely, 57.7 pounds, had a machinery labor cost of twenty-three cents per hundred pounds, while the mill with a machine output of only six pounds per operative per hour had a cost of \$1.64 per hundred pounds. Yet this mill, with a cost seven times higher than the other, paid its operatives only 9.86 cents per hour, against 13.09 cents paid by its more successful competitor.

These examples could be repeated for other departments of woolen and worsted mills, but will suffice to illustrate the point that higher wages do not necessarily mean higher costs. They show that mill efficiency depends more on a liberal use of the most improved machinery than on low wages. Thoughtful planning in arranging the machinery to save unnecessary steps to the employees, careful buying of raw materials, the skillful organization and utilization of the labor force in the mill, systematic watching of a thousand details, each affecting the cost of manufacture, will reduce running expenses to an astonishing degree.

It may be said that there need not be any relation between the pay of the help and the efficiency of the management at the head of the mill. There seems to be no necessary connection between the two, yet economic literature is full of references to the fact that successful strikes resulting

³ U. S. Tariff Board Report on Cotton Industry, p. 12. *Weavers wage bill*, table 162, p. 526.

⁴ *Tariff Board Report on Wool and Manufacturers of Wool*, p. 1022.

in an appreciable rise of wages or reduction of hours have been followed by the introduction of new machinery or other labor saving devices to offset the heightened cost. All things remaining equal, an increase of wages must necessarily lead to an increase in the cost of production. The threatening diminution of profits, acts as a powerful stimulus to the owner or manager of a plant who is anxious to make possible savings, where he was satisfied before to plod along in the established rut.

Relation of Compensation to Output

WEEK WORK

That high wages are economical when accompanied by a corresponding output, is easily understood. "But," says the average employer, "the two do not necessarily go together. The tendency of the average worker, especially, the union worker, is to lie down on his job. When paid by the week, he tries to keep down his output partly from inertia and a natural tendency to 'take things easy,' and partly from a feeling that the less he will produce, the more work there will be to go around among his fellow-workers. And this, in turn, he feels, will keep down competition for jobs among workmen and help keep up wages."

Unfortunately, this charge is justified to a large extent. It is the way human nature works under certain conditions. Knowing that he will be unceremoniously thrown out on the street when not needed, and having no desire to subject his family to the hazards of hardships or starvation, which is the lot of the unemployed man, the workman has no more regard for the interests of the employer than the latter reveals for him. Not until industry or society provides adequate safeguards for the interests of the worker who suddenly finds himself displaced through no fault of his own, can he be expected to change his attitude.

Manufacturers, industrial engineers, foremen and all those who employ labor in industry, prefer, therefore, to base compensation on output, except in industries where the work of the employe is so controlled through the operation of his machine or the organization of the factory or mill that he cannot easily reduce output.

Piece Work

Advantages of Piece Work.—The simplest way of basing compensation on output is through piece work. The compensation of the worker is strictly proportional to his exertions. The more he produces, the greater the contents of his pay envelope. With the piece rate once determined, the system seems to work

fairly to both sides. The interests of both employer and employe seem to be identical, since the more the worker earns, the greater the production and, therefore, the lower the overhead expense of the plant per unit of product.

Disadvantages of Piece Work.—Unfortunately, the same cannot be said of the rate itself. There is an obvious conflict of interests in determining the rate, the old game of the seller (the worker) trying to get the highest possible price and the buyer (the employer) seeking to buy cheap, reasserting itself in this case. If this were the only drawback of the piece rate system, it would be eliminated, at least, upon the determination of the rate. Unfortunately, industrial practice has intensified the evil a thousand fold and has caused piece workers to restrict output with no less determination than that shown by time workers. This practice consists of cutting down piece rates when the workers earn "too much" money.

1. *Rate Cutting.*—The late Frederick Taylor addressing the Efficiency Society of New York shortly before his death gave a striking recital of the reaction of the worker under this practice. He told of his early experience as a mechanic at the Midvale Steel Company plant and how, when he attempted to do an honest day's work he was warned by his fellow-workers to "go slow." The admonition was so emphatic that he soon found it best for his health to fall in line with the rest of the crowd. A few years later he was promoted to a foremanship.

On assuming his new duties he called together all his fellow-workers and pointed out to them that having come up from the ranks he knew all the tricks of the "laying down" game and that, therefore, he expected them to turn a new leaf and do the best they could. In turn he assured them that they need have no fear of their piece rates being cut no matter how much their earnings might go up as a result of their increased efforts. The workers took him at his word and went to work with a will. Soon the new foreman was the talk of the plant, for he was breaking all records of production. It was not very long before one of the directors of the company visited the plant and heard of the remarkable performance of the new foreman. Being of a curious mind, he looked up the shop personally and inquired for the pay roll.

Like the good business man that he was, he was shocked by the inordinately high wages of the employes in Taylor's shop exceeding by several dollars the prevailing rate in the industry.

He ordered the rates cut in spite of all the pleadings of the superintendent and the foreman who pointed out the destruction of morale among the working force which this act would cause. Needless to say that the effect was to destroy all the confidence in the integrity of the employer which Mr. Taylor had built up among his men. His despair knew no bounds. Most men in his place would have given up the struggle, but Taylor was no ordinary man. The shock he experienced caused him to do some hard thinking and from this experience was born his *Principles of Scientific Management*.

Mr. Taylor's experience was not exceptional. Anyone with the least industrial experience can cite similar instances from plants under his own observation. This virtually uniform practice has embittered the workman and has undermined his confidence in the employer to an extent that no amount of assurance of a change of policy seems able to restore.

Much of the rate cutting is due to cupidity or short sightedness on the part of employers who do not realize that for every dollar in wages which they thus save they lose infinitely more in lost efficiency caused by the curtailment of output by workers to which they are forced to resort in self-defense.

But even with the best of intentions on the part of employing management piece-rate cutting is frequently unavoidable. In a plant having much sub-division of labor, it is impossible to allow a rate to remain uncut where it yields a particular section of workers earnings so high as to be out of all proportion to those of workers in other sections. If the prevailing earnings of skilled workers of that craft are, say, \$5 per day, and a miscalculated piece rate yields workers on a particular operation \$10 per day, all the other employes will demand an increase in rates to bring their earnings up to the level of the lucky section. It is a psychological law. There are no absolute standards of earnings which will keep a worker satisfied. His satisfaction is largely based upon a sense of relative justice measured by comparison with prevailing earnings among groups of workers of similar skill.

2. *Loss of Earnings Through Inefficiency of Management.*—Another strong objection to piece work raised by workmen is based on the loss of earnings which they incur through inefficiency of management or other losses beyond their control. Only highly efficient plants—and their number is as yet small—know how to maintain an even flow of work throughout the

plant. The balance of work between the different departments of the plant is rarely maintained on an even keel for any length of time. As a result, workers in one department may be idle for hours, or considerable parts of the day, and sometimes even for days, while other departments have more work than they can handle. Poor control of the stock room results in the lack of one or more items of material being discovered at the last moment, when it is too late to prevent interruption of work. All these breaks in production fall with their full weight upon the worker, depriving him of earnings through no fault of his own, while his time is at the call and disposal of his employer.

3. *Speeding*.—A third objection to piece work raised by workmen, particularly by organized labor, is the excessive speeding which the system encourages to the great detriment of the workers' health, frequently causing physical breakdown in the prime of life.

4. *Jealousy and Favoritism*.—The desire to earn as much as possible causes a good deal of racing among the workmen provoking jealousies among them which foremen know how to utilize to prevent solidarity among the workers, by making favorites of some and discriminating against others. Union men are often given less desirable work than those who do not belong to the union; frequently they are made to wait longer for their work in the intervals between one job and another.

5. *Sacrifice of Quality*.—An objection to piece work which comes from employers is the tendency on the part of workers to sacrifice quality for quantity. Insistence on the part of the management on standards of quality leads to friction with the help.

Such are the objections to piece work which have caused the industrial engineer to seek other means of compensation for labor. With all its drawbacks, however, the piece-rate system has the great advantage over the straight time-work in that it gives the workman a direct interest in his output, since his compensation rises automatically in a direct ratio to his effort and skill. From the point of view of the employer the piece-work system offers the great advantage of making wages strictly dependent upon output and automatically stopping wage leaks which are so common under the straight time-work system. Any substitute for piece work must, therefore, retain its advantages while eliminating its disadvantages. This ideal is believed by leading industrial engineers to be attained in

The Time and Bonus System

The essential feature of this system of compensation for labor is the return to the original plan of paying the workman a wage on a time basis. This is based on the recognition of the fact that the workman is entitled to a certain minimum compensation for his time and labor power which he places at the disposal of his employer. At the same time his interest in his output is stimulated by an additional compensation, known as bonus or premium, which is based upon output.

There are several systems of bonus compensation. The best known plans are all based on careful time studies as a preliminary to fixing any rate of compensation. All of these systems have in common: (1) a straight hourly rate for each operation based upon the skill it requires; (2) a definite time allowance for every operation; (3) an additional compensation, known as "bonus" for doing the work in less time than the allowance calls for.

Advantages of the Time and Bonus System.—There are definite advantages and distinct merits attached to the time and bonus system of compensation. (1) First and foremost from the point of view of justice to the worker is the definite minimum hourly compensation independent of his output. The worker is entitled to a living wage, if he is at all fit to be employed. Straight piece work does not assure him such a minimum wage. Straight time work gives him a definite wage, but deprives him of any additional compensation in proportion to increased effort, skill or speed. It thereby destroys the incentive to conscientious endeavor, thus hurting the interests of the employer and employe alike. (2) This incentive is present under the bonus system, although the bonus earned is usually not proportionate to the increased output, as is the case under piece work, as will be shown below. (3) As already stated, the definite time allowance for each job is based upon careful time study. While there has been a good deal of well merited criticism of the methods employed in time studies,¹ the conscious aim of leading industrial engineers like Taylor, Emerson, Gantt, Barth, *et al*, has been to determine, by careful and conscientious study of the motions of several workers on a given operation,

¹ See Robert F. Hoxie, *Scientific Management & Labor*, Appleton Co., 1915.

"the time it ought to take to do the work without undue effort when every unnecessary waste is eliminated."²

In this respect the time and bonus plan is superior to the old time piece rate system. The predetermined time allowance based upon the elimination of "every unnecessary waste" reduces to a minimum the chance of fixing the rates out of all proportion with existing standards of wages, with the unpleasant necessity of cutting the rates, a practice so disastrous to the worker and employer alike.

On the other hand, the time study aims to determine a fair time allowance for every job "without undue effort." Speeding is frowned upon by the enlightened engineer who recognizes that anything that injures the health of the worker cannot be of permanent benefit to the industry. Scientific time studies have established the fact that every person and every job have their own time-rhythm which determines the normal rate at which the work can best be done. To illustrate: the normal gait for walking for the average person is, let us say, three miles per hour; for a child it may be only one mile an hour. A normal man walking at the rate of a child would feel more tired at the end of an hour after walking one mile, than he would, if he walked three miles at his normal pace. On the other hand, he would not only be tired but exhausted, if, through speeding, he managed to walk five or six miles in one hour. Scientific time study aims at establishing the normal rate of speed, avoiding "undue effort" on the one hand, and "every unnecessary waste" of time or effort on the other.

Having established the standard time for an operation through time study, there is no reason why a proper piece rate cannot be established just as accurately as a bonus rate, which would prevent the necessity of cutting the rate later. At the plant of Joseph & Feiss of Cleveland, where Scientific Management is in practice, practically all work is done at piece rates based on time studies and the system has been in successful operation for nearly a decade. The claim of this piece rate system to superiority is based on the fact that the rates being determined through time studies there is no occasion for cutting them. But even this safeguard does not relieve it of the charge that, in common with all piece rate systems, it encourages speeding. This is overcome in part by deductions from pay for each defect discovered in the work of an employe and an

² Harrington Emerson, *A Comparative Study of Wage and Bonus Plans*. New York, 1917.

equal reward for every defect discovered by the employe in another person's work. Not all bonus plans operate in the same manner in their effect on speeding. Some offer an incentive to speeding far worse than straight piece work, while others are calculated to discourage it. We will consider here the five best known bonus systems.

The Halsey Premium Plan was the first bonus system adopted. Under this plan the worker receives one-third, or one-half of the time saved. Thus, if the time set for a job is four hours and the rate is 50c per hour, and if the job takes actually only two hours, the worker would receive, under the one-half premium plan, 2x50c, or \$1.00 for the time he worked plus $\frac{1}{2}$ of \$1.00, or 50c for the time saved, making the total wage \$1.50 for two hours, or 75c per hour. Under the one-third plan he would receive \$1.00 plus 33c, or \$1.33, or 67c per hour.

The Halsey Plan was adopted before scientific time studies were in use in industry. The premium it offers the worker is based upon standard time as determined by previous records in the shop. There is nothing inherent in the Halsey plan, however, to prevent its adoption in combination with scientific time studies. Under this plan both employer and worker are benefited as the efficiency of the worker is increased, as shown by the figures in Table 1.

TABLE 1
ILLUSTRATION OF HALSEY'S PREMIUM PLAN

Hours		Compensation				Labor Cost			
Standard	Actual	Saved	Time Wage	Bonus	Total	Total Earnings per Hour	No. of Units Made	Total Labor Cost	Labor Cost per Unit
Rate per hr. 50c—Premium: One-half of Time-Wage Saved									
4	4	0	2.00	.0	2.00	.50	4	2.00	.50
4	3	1	1.50	.25	1.75	.58 $\frac{1}{3}$	4	1.75	.43 $\frac{3}{4}$
4	2	2	1.00	.50	1.50	.75	4	1.50	.37 $\frac{1}{2}$
4	1	3	.50	.75	1.25	1.25	4	1.25	.31 $\frac{1}{2}$
Rate per hr. 50c—Premium: One-third of Time-Wage Saved									
4	4	0	2.00	.0	2.00	.50	4	2.00	.50
4	3	1	1.50	.16 $\frac{2}{3}$	1.67	.56	4	1.67	.41 $\frac{3}{4}$
4	2	2	1.00	.33 $\frac{1}{3}$	1.33	.67	4	1.33	.33 $\frac{1}{4}$
4	1	3	.50	.50	1.00	1.00	4	1.00	.25

As will be seen from the figures in Table 1, as the worker gains in efficiency his earnings under the one-half bonus plan may rise, in the illustration chosen, from 50c per hour to \$1.25 per hour, while at the same time the labor cost to the employer

goes down from 50c per unit of product to $31\frac{1}{2}$ c. Under the one-third bonus plan, the earnings of the worker will go up from 50c to \$1.00 per hour, while the labor cost per unit of product will at the same time go down 50c to 25c. In other words, under the one-half plan the earnings of the worker per hour would go up $2\frac{1}{2}$ times, while the labor cost to the employer would go down but a little over one-third; while under the one-third plan the earnings of the worker would double and the labor cost to the employer would be reduced one-half.

The Rowan Premium Plan provides for the payment of a regular hourly rate and, in addition, of a bonus equal to the percentage of time saved, multiplied by the wage for the time actually taken to do the work. Under this plan the amount of which the bonus forms a percentage is based not on the time saved, but on the time taken, so that the less time the worker takes to do his job, the less is the bonus in proportion to his efforts. Thus, if the set time is four hours and the rate is 50c per hour, and the job is done in three hours, the worker has saved one hour, or 25 %. His regular wage would therefore be equal to 1.50 and his bonus to 25% of that amount, or $37\frac{1}{2}$ c.

On the other hand, if the workman did the job in one hour, saving his employer 75% of the time set, his bonus, as will be seen from Table 2, illustrating the working of the plan, would be no greater, that is to say, the same $37\frac{1}{2}$ c. This plan is manifestly unfair to the workman, yet even under this system of bonus payments it will be seen from the table below that it gives the workman a substantial increase of earnings per hour as the labor cost per unit of product is reduced. The employer, however, is benefited to a much larger extent than the employee.

TABLE 2

ILLUSTRATION OF ROWAN'S PREMIUM PLAN

Rate per hr. 50c. Bonus: Percentage of time saved multiplied by wage for time in which the work was done.

Hours				Compensation			Labor Cost			
Standard	Actual	Saved	% Hours Saved	Time Wage	Bonus Wage	Total	Total Earnings per Hour	No. of Units Made	Total Labor Cost	Labor Cost per Unit
4	4	0	0%	2.00	.0	2.00	.50	4	2.00	.50
4	3	1	25%	1.50	.37½	1.87½	.62½	4	1.87½	.47
4	2	2	50%	1.00	.50	1.50	.75	4	1.50	.37½
4	1	3	75%	.50	.37½	.87½	.87½	4	.87½	.22

The Gantt Task and Bonus System.—This is a modification of the Taylor differential piece-rate system. Under the Taylor plan, the task or number of units which a workman can produce in a given time is determined by careful time study. Two piece-rates are then set for the work: a low rate, if the worker fails to make his task in the prescribed time and a higher rate, if he makes his task in the standard time, or less. Under this system of payment, the worker is stimulated to exert himself to the utmost to earn the higher rate. The incentive to speeding is obvious.

The Gantt plan converts the Taylor differential piece-rate system into a task and bonus system, that is to say, instead of having two piece-rates, there is a basic rate per hour which is all that the worker receives so long as he fails to meet the task; as soon, however, as the worker has made his task in standard time or less, he receives a bonus varying from 20 to 50 per cent, according to the nature of the work and the degree of inducement which is regarded necessary to insure the interest of the worker. Once the worker has achieved his task in a given time, the combined time and bonus rate remains fixed, so that from that point on the compensation becomes virtually a straight piece-rate, the same as under the Taylor system.

In the illustration given in Table 3 it is assumed that the basic rate for the worker is 50c per hour, and that the bonus is 50% of the wages earned in standard time. Under this system of payment, if the standard time is four hours, and it takes the worker anything from 5 to 8 hours, he will receive a straight hourly rate of 50c per hour. The moment, however, he makes his task, that is to say, as soon as he does the required number of units in 4 hours, he receives in addition to \$2.00 for 4 hours' work, a bonus of 50% of that amount, or \$1.00, making the total payment equal \$3.00. His earnings thus suddenly increase from 50c to 75c per hour. The achievement of the task thus brings a high reward, but (as in the case of the Taylor system) if the workman has strained himself to the utmost and reduced the time, in which he makes the task, from 8 hours to, say, $4\frac{1}{4}$ only, he would get no reward whatever, still drawing his 50c per hour. In fact, he would be penalized for his extra effort, for instead of receiving \$4.00 for the job as he did when it took him 8 hours to do it, he would now get only \$2.12 for the same amount of work, done with greater exertion. Viewed from this angle, Mr. Gantt's claim that "We have here all the advantages of day work combined with those of piece work, without the

TABLE 3
ILLUSTRATION OF GANTT'S BONUS PLAN

Standard	Hours		Compensation			Labor Cost		
	Actual	Saved (+) or Lost (—)	Time Wage	Bonus	Total	Total Earnings per Hour	No. of Units Made	Labor Cost per Unit
A-Rate: 50c per hr.—Bonus: (Minimum) 20% of Wage for Standard Time								
4	8	—4	4.00	.0	4.00	.50	4	1.00
4	7	—3	3.50	.0	3.50	.50	4	.87½
4	6	—2	3.00	.0	3.00	.50	4	.75
4	5	—1	2.50	.0	2.50	.50	4	.62½
4	4	..	2.00	.40	2.40	.60	4	.60
4	3	+1	1.50	.90	2.40	.80	4	.60
4	2	+2	1.00	1.40	2.40	1.20	4	.60
4	1	+3	.50	1.90	2.40	2.40	4	.60
B-Rate: 50c per hr.—Bonus: (Maximum) 50% of Wage for Standard Time								
4	8	—4	4.00	.0	4.00	.50	4	1.00
4	7	—3	3.50	.0	3.50	.50	4	.87½
4	6	—2	3.00	.0	3.00	.50	4	.75
4	5	—1	2.50	.0	2.50	.50	4	.62½
4	4	..	2.00	1.00	3.00	.75	4	.75
4	3	+1	1.50	1.50	3.00	1.00	4	.75
4	2	+2	1.00	2.00	3.00	1.50	4	.75
4	1	+3	.50	2.50	3.00	3.00	4	.75

disadvantage of either,"¹ is hardly sustained. In the eyes of the worker who had to double his effort to bring his time down from 8 to 4¼ hours, there is no advantage in this system over the straight time system and in so far as the Gantt system has made him hustle and left him with \$2.12 for his effort, instead of \$4.00 which he would have received had he continued to work at his accustomed easy pace, it looks like a deliberate scheme to hold out a bait which is just beyond his reach, and which benefits the employer exclusively.

From the point of view of labor costs, the Gantt system of payment will prove of great advantage to the employer, for the cost per unit of product (see Table 3) will be reduced from \$1.00, if the worker did his task in 8 hours, to 62½c if it took him only 5 hours.

As soon as the worker has made his task, his payment becomes fixed. In our illustration it equals to \$3.00 for 4 hours. If he should go beyond the standard and gradually reduce his time for the task to three, two or one hour, he would continue to receive \$3.00 for the task. In other words,—from the moment he meets the task the payment becomes a straight piece-rate and his earnings per hour mount as he gains in speed, as they do under any piece-rate system.

¹ H. L. Gantt, *Work, Wages and Profits* (The Engineering Magazine Co., 1919), p. 165.

Turning to the illustration in Table 3: The cost per unit of product when the task is achieved is 75c. As the workman gains in speed beyond that point his earnings rise rapidly from 75c per hour to \$3.00 per hour. It must be borne in mind, however, that "the task is based on a detailed investigation by a trained expert of the best methods of doing the work" and that in order to earn bonus the work must not only be done in standard time or better, but must be "up to the standard for quality."¹ Under these conditions, it is very seldom that the worker can beat standard time very materially and, therefore, the earnings above \$1.00 per hour as worked out in Table 3, are more in the nature of a mathematical illustration of what the earnings may theoretically rise to, rather than examples of practical reality. There is, therefore, not likely to be much incentive to further speeding after the worker has made his task.

[As viewed by Mr. Gantt himself, his] system of pay is really a combination of the best features of both day and piece work. The workman is assured his day rate while being taught to perform his task, and as the bonus for its accomplishment is a percentage of the time allowed, the compensation when the task has been performed is a fixed quantity, and is thus really the equivalent of a piece rate. Our method of payment then is piece work for the skilled, and day work for the unskilled, it being remembered that if there is only work enough for a few, it will always be given to the skilled. This acts as a powerful stimulus to the unskilled, and all who have any ambition try to get into the bonus class. . . . The day worker who has no ambition to become a bonus worker usually of his own accord seeks work elsewhere, and our working force soon becomes composed of bonus workers, and day workers who are trying to become bonus workers.¹

Of course it would be impossible to discriminate in such a way between one set of workers and another in a union shop, the union usually insisting that when there is not enough work to keep everybody busy, work must be divided among all as equally as possible. Still, the system would tend ultimately for the best workers to remain at the plant.

The Emerson Bonus Plan, in the words of the author of the plan,

Its main features are summed up by its author under the following 3 heads:

being a later evolution than the plans of Halsey, Rowan, Taylor and Gantt, had the benefit of their experience, owes much to them, but also aimed to avoid any weaknesses in the earlier plans and to add valuable features not hitherto included.²

1. Efficiency is determined not for each operation or job, but for a period of time, such as a day, week or month.

¹ *Ibid.*, l. c., p. 149.

² *Ibid.*, l. c., p. 165

³ Harrington Emerson, *A Comparative Study of Wage and Bonus Plans*, p. 18.

2. Efficiency is expressed in the form of a percentage obtained by dividing the aggregate standard time by the aggregate actual time. Thus, if the total number of hours worked in a week is 250 and the worker has delivered 260 hours of standard work, his efficiency is 260 divided by 250, or 104%.

3. The transition from inefficient time pay to standard time and bonus is made not abruptly, as under the Gantt plan, but gradually. Bonus begins when the worker reaches 67% efficiency instead of 100%, as under the Gantt plan. The bonus at 67% is insignificant, being only one hundredth of one per cent of the hourly wages earned. It gradually increases by fractions of one per cent until it equals to 1% at 74% efficiency, 2% at 77% efficiency, 3.3% at 80% efficiency, 10% at 90% efficiency. From that point on, the bonus increases at the rate of 1% for each additional per cent efficiency, so that it equals 20% at 100% efficiency, 25% at 105% efficiency, etc.

In other words, the worker is paid for full standard time, if he does the work in less than standard time, in addition to a bonus of twenty per cent. Thus, if standard time for performing a certain operation is 4 hours (See Table 4), and the hourly rate is 50c, and the worker has accomplished his task in three hours, showing an efficiency of 133%, his compensation will be as follows:

3 hours actual time— 3×50 ..\$1.50		3 hours actual time— 3×50 ..\$1.50	
1 hour saved from standard		Bonus 53%, on 3 hours worked or	
time 1×50	.50	53% of \$1.50.....	.80
Bonus 20% on 3 hours worked			
—20% of \$1.50	.30 or:		
Total	\$2.30	Total	\$2.30

making the total earnings per hour equal \$2.30 divided by 3, or 77c. This plan has the obvious advantage over the Gantt plan that by avoiding the sudden jump from no bonus when work is less than 100% efficient to a bonus of from 20 to 50 per cent, when 100% efficiency is attained, it does away with the gambling with the worker's energy and ambition and offers him a gradually increasing reward as his efficiency advances from 67% upward. At every stage of improvement beyond 67% efficiency the worker is encouraged and has the satisfaction of increasing his hourly earnings.

As already stated, the Emerson plan provides for increasing efficiency not only on separate jobs, but per day, week or month, while the Gantt and other plans have the job as a basis. This has a tendency to reduce the worker's earnings under the Emerson plan, since it is impossible to maintain as high a rate of

efficiency continuously as it is on separate jobs; the figure representing aggregate efficiency is thus reduced, reducing the average hourly earnings. On the other hand, when the worker discovers this, he will realize that overspeeding on individual jobs, causing exhaustion and lowered efficiency on subsequent jobs, brings a lower aggregate income than a more moderate efficiency steadily maintained. This should furnish the best corrective against undue speeding.

From the point of view of labor cost, the Emerson plan is like the Halsey and Rowan in that it provides for a constantly reduced cost per unit of product as the efficiency of the worker and his earnings per hour increase while, under the Gantt plan the cost remains the same after the worker reaches and passes 100% efficiency.

[As Mr. Emerson says] "An employer can well afford to pay a large bonus; he can well give the total wages saved as bonus and derive his own benefit from the increased output of the plant and the greatly reduced overhead. It is for this reason that for efficiencies above 100% the worker is given as a bonus his hourly rate for all the time he saves in addition to 20% on the wages for the time he works."¹

In spite of that, the labor cost per unit of product continues to drop under the Emerson plan after the worker has exceeded 100% efficiency. Thus in the illustration in Table 4 at 50% efficiency the labor cost to the employer per unit of product is \$1.00; at 66 $\frac{2}{3}$ % efficiency the cost drops to 75c; at 100% efficiency the cost is reduced to 60c; at 200% efficiency it goes down to 55c, and so on. At the same time the worker's hourly earnings advance from 50c to 52c, 60c and \$1.10.

¹ *Ibid*, l. c., p. 19.

TABLE 4
ILLUSTRATION OF EMERSON'S BONUS PLAN

Rate: 50c per hr. Bonus: Commencing with one-hundredth of 1% for 67% efficiency, it rises to 3.3% for 80% efficiency; to 10% for 90% efficiency; and thereafter increases at the rate of 1% for each 1% increase of efficiency, so that it is 20% at 100% efficiency; 25% at 105% efficiency, etc.

Hours			Compensation				Labor Cost			
Standard	Actual	Percentage of Efficiency	Time Wage	% of Time Wage	Amount	Total wages	Total Earnings per Hour	Total Labor Cost	No. of Units Produced	Cost per Unit
4	8	50%	4.00	0	0	4.00	.50	4.00	4	1.00
4	7	57%	3.50	0	0	3.50	.50	3.50	4	.87
4	6	66 $\frac{2}{3}$ %	3.00	0	0	3.00	.50	3.00	4	.75
4	5	80%	2.50	3.3%	0.08	2.58	.52	2.58	4	.65
4	4	100%	2.00	20%	0.40	2.40	.60	2.40	4	.60
4	3	133%	1.50	53%	0.80	2.30	.77	2.30	4	.58
4	2	200%	1.00	120%	1.20	2.20	1.10	2.20	4	.55
4	1	400%	.50	320%	1.60	2.10	2.10	2.10	4	.52

Conclusion

Each of the systems of compensation mentioned has its advantages and disadvantages and the adoption of one or the other will depend upon the aim in view.

Whatever the system adopted, assuming that the object is to adopt a system of compensation that will secure efficiency without overspeeding; that will tend to keep down costs, while raising wages; and that will appeal to the sense of fairness of the worker, certain general principles suggest themselves for our guidance:

1. The workman is entitled to a living wage as a minimum compensation for his time and effort which he spends at the plant. Whatever the form of compensation, he must receive a basic wage measured by the time he spends at the plant, at a rate sufficient to yield a living wage.

2. If workers are not to be prejudiced against any system of compensation based on output (whether piece-rate or bonus) they must be paid the basic hourly rate for all idle time spent at the plant through no fault of their own.

3. If workers are paid by the piece, the rates must be so adjusted as to yield the worker a distinctly higher wage (from 20% to 50%) than the minimum wage paid the worker of ordinary speed and skill.

4. Where time and bonus rates are paid, they should be so arranged as not to rob the worker of the fruits of his extra exertion on the one hand, and to discourage excessive speeding on the part of the worker beyond what has been demonstrated as safe by careful time studies; excessive speed being harmful to the health of the worker and to the quality of the product.

5. Brief rest periods in addition to the noon recess, or frequent changes of position in receiving and turning in work, should be provided to avoid undue fatigue and monotony. This will safeguard the health of the workers and in the end result in increased output.

6. Under no circumstances should piece or bonus rates be cut on the ground that the earnings of the workers are too high so long as there is no change in the operation or in the manufacturing process.

7. If the opposition of workers to new machinery, or improved labor-saving methods, due to fear of losing the job, is to be overcome, employees made superfluous must never be dis-

charged. Ordinarily, the growth of the business, the natural labor turnover, and the possibility of transfers to other departments, will take care of the superfluous workers. If these should fail to materialize as rapidly as may seem desirable, it will be cheaper in the long run to employ the workers on their jobs on part time, paying full time wages, than to show indifference to the employee's fate by "firing" him unceremoniously.

8. The worker should share in the benefits resulting from the introduction of improved machinery and increased efficiency. Whether this share should take the form of higher wages, shorter hours, or a share in the general profits, or in the specific savings resulting from the improvements, is a subject so large as to require separate treatment.

STRETCHING THE PAY ENVELOPE¹

Some New Methods of Fixing Wages

One of the paradoxes of the war is the stimulus it is giving to human conservation. Witness the awakening in Great Britain to the inefficiency of overwork as proven by the reports of the Committee on the Health of Munition Workers, and as indicated by Lord Leverhulme's advocacy of a six-hour day. The United States has been at war nine months as against England's three and one-half years, but the same motives that created a new attitude there toward the well-being of the workers have been active here since the struggle in Europe began.

Two employment managers for large corporations stated the case for me not long ago. One of them was in a state of nerves when I called on him. He snorted at my questions. There was nothing to tell me. Anybody ought to know what the job of an employment office is. They were doing the only thing anybody did—"hustling for men." And he turned his back on me. The other man was more of a philosopher. "The function of an employment department," he told me, "is to keep men from quitting."

Both men really told the same story. Men are not so easy to get as in the days before the war, when immigrants were entering our doors at the rate of a million a year. At the same time our industries are expanding and the demand for

¹ By John A. Fitch. *Survey*. 39:411-13. January 12, 1918.

men is increasing. It is a time when employment managers are hustling for men and, after they get them, praying that they won't quit. The situation was admirably summed up at the Safety Congress last fall, when a representative of one of the railroads expressed amazement at the idea of discharging men who disobeyed safety rules. "Any safety man on our railroad," he declared, "who recommended firing a man would get fired himself."

The situation before the employers of the country is not a new one. They have had trouble before in getting men, and there is always trouble about keeping them. But the old situation has been greatly intensified in many industries by the war. It is a commonplace among employers that when labor is scarce and wages are high the tendency of workingmen to drift about is greatly increased. It is also a well-known fact that under such conditions men are not regular in their attendance at work. They take a day off when they feel like it, secure in the moral certainty that their jobs will be waiting for them when they go back.

Old though the difficulty is, good, hard, constructive thinking about it is comparatively new. But now some of the keenest minds in the industrial world are at work on the task. Under the pressure of industrial necessity in war time more thought is being given to the welfare of wage-earners than in any previous time in the nation's history. The question is how to get and keep men, and the answer so obviously lies in the degree to which men are satisfied with the conditions of their work that it is a wonder no one has thought of it before. If the wage-earner is to be kept on the job, means must be taken to make the job worth while.

The most obvious need of the wage-earner is an adequate wage. The first question of an applicant for work is what will the job pay. More unrest is provoked and more strikes occur over the wage question than over any other one thing. In attempting to attract labor and create satisfaction at a time when prices of necessities are mounting to unheard of levels, it is clear that attention must be directed first toward the adequacy of the wages scale.

Since the beginning of the war various methods of wage adjustment have been put to the test. Many corporations adopted the war bonus idea. They took the view that the outlook was too uncertain to justify a permanent advance; if affairs took a bad turn it would be much easier to discontinue

the bonus than to reduce wages. In order to emphasize the difference between the regular wages and the bonus, the latter is paid at more infrequent intervals, in some cases monthly, in others quarterly, sometimes in a lump at the end of the year.

The bonus plan as a method of relieving the pressure of the high cost of living is, of course, subject to the same difficulty that affects any other method—if it is not accurately based on the actual increase in costs, it will not allay unrest. There is a special objection, also, due to the traditional opposition of organized labor to bonus schemes of all sorts. They object to a war bonus for precisely the reason that leads employers to favor it—the ease with which wages can be reduced when a slump comes. The United Mine Workers succeeded in practically eliminating war bonuses from coal mining.

There have been impressive increases in money wages in all industries. Many corporations have disregarded the danger involved and have raised the scale of payments as if present conditions were to be permanent. At periodic intervals one reads of another advance and yet another and then another on top of that, until the impression gets abroad that the working people of the country are rolling in wealth.

To judge of the meaning of such advances one needs to check them up against the increase in the cost of living. Perhaps the most illuminating example is the United States Steel Corporation. Repeatedly during the last two years the corporation has increased the wages of its employees, each time by 10 per cent. Three times in 1916 such increases were announced, taking effect on February 1, May 1 and December 15; and twice in 1917, on May 1 and October 1. This makes an increase of over 60 per cent in a period of twenty-one months, a rate of advance almost without precedent.

Wages Lagging Behind Food

The significance of this action can be gauged only by placing alongside of it the figures of advanced living costs. The *Annalist* publishes every week a chart on which is plotted the curve of the wholesale price of twenty-five principal food products. The index number given on this chart for February 1, 1916, was 157. For October 1, 1917, it was 280.

The fact that in the same period of time wholesale prices of food advanced 123 per cent while wages rose only 60 per cent does not indicate that the rise in the cost of living has been twice as rapid as the increase in the wages of steel work-

ers. Rent is one of the most important of factors entering into living costs and, in general, rents have not gone up as rapidly nor proportionately as high as food prices. Other factors entering in do not show so rapid an advance. Nevertheless, when wholesale prices of food go up twice as fast as wages, it is safe to assume that the wage-earner's income has lagged behind in the race with his necessities. It is clear, therefore, that wage increases in themselves are not sufficient to maintain the worker in *statu quo*. They must advance *pari passu* with the movement in the cost of living if he is not to be worse off than before.

Since the war began, there has arisen a new method in wage payments. The plan is to establish a wage system that will rise automatically with the cost of living. The Oneida Community, Ltd., adopted a bonus plan two years ago, basing the extra payment on Bradstreet's index figures. Each month every employe rated at \$2,000 or less receives in addition to his regular pay, a "High Cost of Living Envelope." Its contents, based on Bradstreet's figures, fluctuate with the changes in prices. Thus, in January, 1917, the envelope contained an additional 16 per cent based on the regular wages and in December, 1917, the bonus was 32.75 per cent.

A similar method is used by the Kelley-How-Thomson Company of Duluth, and by the George Worthington Company of Cleveland, both in the wholesale hardware business.

To trade unionist these plans, since they are pure bonus schemes, would doubtless be objectionable. It must be recognized, though, that these plans are quite different from the ordinary bonus idea. They represent a distinct effort to make the wage scale expand in direct proportion to the changes in the cost of living. But like the other bonus plans, the arrangement can be revoked, without any actual cut in wages appearing to take place.

More interesting, therefore, are the plans that have been adopted within the last year and a half by two large employing companies, one in Detroit and the other in Syracuse, N.Y.

In 1916 the Solvay Process Company in Detroit was having difficulty in keeping men. After some investigation, it was decided that the chief difficulty was with the wages. Consequently, after conducting a study of the cost of living, the company made an estimate of the minimum cost of living for a family of standard size and then raised wages to that point. Immediately the groceries and other stores in the vicinity of

the plant put up their prices so as to absorb all of the increased wages. The company then started a grocery store of its own and sold to its employes at cost. With this beginning a continuous check is now being made on changes in the cost of living. Two men on the staff of the employment manager devote themselves exclusively to this task. They have about one hundred families who are keeping careful accounts of their expenditures on forms provided by the company. Checked against these figures is an estimate made by a local hospital of the cost of necessary rations on a scientific basis. Government figures are also used. With these as a basis, it was decided last summer that a minimum living wage should yield \$1,200 a year. Accordingly the wage rate was so adjusted as to provide, with overtime and bonus, a minimum income of \$100 a month.

With a similar desire to establish a wage rate that would have some relation to the cost of living, the Franklin Automobile Company made a study early in 1916 of the cost of living in the neighborhood of its plant in Syracuse, N.Y. The year 1905 was taken as a base for determining what an adequate wage should be in 1916, because the records showed that they had an unusually low labor turnover that year, indicating that the workers were satisfied with the conditions then prevailing. A study was made to discover the extent to which the cost of necessities has risen since 1905, and this was checked against the actual expenditures in 1916 of a large number of families in which the wage-earner was a Franklin employee. As a result of this investigation a very elaborate formula was worked out for determining the wages that should be paid. Provision was made for a continuous study of the cost of living, and the plan calls for a revision of wages every three months in order to maintain the proper relation to the movement of costs.

One of the items that went into the formula at the Franklin plant was a figure representing the length of service. For each year of service, $2\frac{1}{2}$ per cent of the base rate is added to the wage. This, according to George D. Babcock of the Franklin Company, who wrote of it in *Industrial Management*, was to pay "for the loyalty which develops in employes who have been long in service, for the historical knowledge which they have, for the *esprit de corps* which comes through long periods of association with men, as well as for a reduction in the frequency of labor turnover."

Making Money Worth More

Employing corporations are beginning to realize that continuous service is worth paying for. Sears, Roebuck & Co. in Chicago add 2 per cent to a man's wages after he has been in their employ two years, and after that 1 per cent is added each year up to ten years of service. This plan is being adopted widely, and since it is in addition to any other increase in wages that there may be, it provides a real incentive to remain in the employ of the company.

Another method having in view the stretching of the pay envelope to cover the cost of living, which has the added advantage of costing the employer less than an increase in wages, involves various attempts to increase the purchasing power of the wage-earner's money. Throughout the Middle West the establishment of grocery stores in a space provided by the plant, and in which the employes can purchase goods at cost, is becoming quite general. Employers recognize that the establishment of lunch-rooms where food is furnished at cost, or close to cost, has the same advantage and, of course, in addition to that it has the advantage of providing a sanitary dining room and good hot food, the effect of which is marked on the wage-earner's health and consequently on his efficiency.

The effect of the war on wages can hardly be considered an evidence of increased recognition either of the rights or the needs of labor, because in general, however great the increase in money, real wages have probably declined. It is an encouraging sign, however, when two large employing corporations like the Franklin Company and the Solvay-Process recognize so clearly their obligation to pay a living wage that they are unwilling any longer to leave the determination of the amount to the blind law of supply and demand. And the effect of the movement thus begun will outlive the war.

WAGES AND SOME INDUSTRIAL FALLACIES¹

Our present critical condition in industry is due almost wholly to labor's new self-assertion. It is hardly necessary to enter into the many reasons for this new self-assertion of labor. We know its sudden growth has been fostered by the war.

¹ By Willis Wisler. *American Federationist*. 26:1036-40. November, 1919.

Great emergencies have a levelling effect; artificial barriers can not stand up at such times. It is not so much what labor has done that disturbs employers as what it is emboldened to suspect.

Under autocracy this new mood of challenge must lead to some form of protest. The caste that strives to impose its control upon labor must either justify itself by leadership, it must stand aside, or it must establish itself by violence.

The musket made the medieval peasant more deadly than his lanced and plumed overlord, and by this fact it marked the passing of a social order. Trained intelligence may be now about to repeat the event.

If rule by caste, high or low, shall ever come upon the United States it can only be by the creation of caste lines imposed by an ill-advised industrial Bourbonism. The degree of fear an employer of men expresses concerning the menace of "radicalism" in this country is a fair index of his real autocratic intent and ideals.

Men, however, who are familiar with the spectacle of their fellows rising from the ranks of wage-earners to places of the highest affluence and esteem, can have no intention to tear down the golden ladder of opportunity. The most passing comparison must show the very real differences between our conditions and those of Europe. The very elements making for success of radicalism abroad are until now happily lacking here.

There is, however, a condition—though not a fact—of caste that threatens. It grows out of a shrewd though perhaps mistaken conviction on both sides that solidarity is the best protection.

While the American is a wage-earner he senses the advantages he has in collective bargaining. In solidarity he sees his defense against the monopoly of jobs in the hands of the employers.

The employer, too, compels solidarity so far as he can by keeping labor in the "laboring class." He must look with scant favor on his employe climbing out of the wage and vocational limitations he has tried to fix at the hiring moment.

Yet both violate solidarity when opportunity offers. The wage-earner becomes an employer if he can do so. The employer recruits his executives necessarily, for the most part, "from the ranks." Thus with us "solidarity" in the old world sense is a technique of industrial strategy rather than a social fact that can be physically perpetuated.

Behind this technique of industrial strategy is functioning a bread and butter philosophy. Perhaps it were better to say a "bread and butter opportunism." Organized labor in America is essentially pragmatic; it gets all it can whenever it can. I am speaking now as a layman. I shall surely not attempt to speak for organized labor. But there has certainly been no stampede to any philosopho-political program such as we are fond of attributing to English labor.

Here in America we are transients in labor—at least we so love to assume. We require no political upheaval to break our way through economic barriers. We ask only to be decently comfortable and self-respecting while we tarry at the bench or at the machine. Only men reconciled to no escape by industrial effort grow urgent and evolve philosophies.

It is our good fortune to represent in the eyes of the world of labor that best standard. When American wages and standards of working and of living conditions shall have become—through international knowledge—world standards, the day of American exploitation of foreign labor and the American use of foreign labor as American labor's competitor will have passed. The fortunes of American industry must rest on some other basis than the misfortune of any group of workers.

For the accomplishment of this great project, the world enfranchisement of labor, the machinery is now in the making. An international labor congress can concentrate, by centralization, the energies and intelligence of labor. Universality of knowledge will level up the workers of all nations. And for this project America is well fitted to furnish the sanest leadership—a leadership which it will be hoped will not attempt to create a fictitious dignity of labor by the perpetuation of a caste, but which will insist on decent living and unobstructed opportunity for wage-earners on the sole basis of their being human beings.

All that sincere persons, who differ in opinion, need do to come to agreement is to argue their differences sufficiently. The reason most controversies end in protracted antagonism is that they have not been carried to the essential limits of definition—the coincidence of meaning in the fact has not been reached.

One of the commonest faults is classification by coincident phenomena. A good illustration of this is the resentment of organized labor against the physical examinations of new employes. Physical examinations of applicants has been sometimes used by employers or their agents to exclude so-called

"trouble makers." Therefore, physical examination of new employees needs to be abolished? Surely we are capable of better reasoning than that. It is not the physical examination that is bad, but the misuse of this sound precaution for discriminatory purposes.

This kind of loose reasoning has done much harm. It seems as though this kind of reasoning has placed organized labor at a disadvantage with regard also to industrial representation. The condemnation by organized labor should have been not against industrial representation, because much of it is specious, but it should have been against the obstruction of absolute freedom of suffrage and against the sinister emasculation of its legislative function.

The real ground for objection by American organized labor to industrial representation is better indicated in its reference to these industrial representation plans as "Company or Employer Unions." It is fairly evident that organized labor has all along felt sure of an essential insincerity on the part of American employers.

The American Federation of Labor, it seems, fears that once American organized labor has been disorganized and rendered pliant by the quasi liberality of industrial representation plans outside of unions, then—so say the leaders of organized labor—the wage-earner will again find himself alone and stripped of his defenses in the perpetual wage war.

This may be so, but it might well work the other way. Company unions, subjected to oppression, might well make common cause with other company unions in their industry and so again coalesce into a national organization with its hands well trained and gripping the very vitals of their industries.

Organized labor might well give this possibility its closest thought. By capturing all genuine works committees and destroying the rest it would have gained access to the essentials of wages, hours, working conditions, and to economic policies through a door which the employer himself has opened to labor. Thus, organized labor might recoup the poor strategy which let employers strip its crafts of their monopoly of that trade skill which employers, by experts and research and vestibule schools, have shrewdly made their property. In the resultant spectacular rise of the semi-skilled—the great menace to craft unionism—should have been read the ominous handwriting on the wall.

Organized labor may be distrustful of the employer's dis-

position to respect the rights of his employe, but they seem to be no less distrustful of the employe's ability to safeguard his rights. The employer, they say, has access to experts—trained men to advise him. Why, then, shall the employe be denied a like opportunity to avail himself of the organized skill the unions can supply to him? Merely to enfranchise a worker does not automatically endow him with political competency. To elevate him to the office of works representative does not assure to his associates, *ipso facto*, adequate representation. But let us bear in mind that this initial inexperience will pass with time and use and that employers may find themselves in time matched eye to eye with men who can effectively demand from them genuine leadership or retirement.

The facile assumption of the equality of labor and capital, of employe and employer, is *prima facie* untenable. If this were true there would hardly be employes. Nor are their interests at all so mutual as our popular platitude would assume. There is, to be sure, a common interest in the creation of wealth, but in its distribution there can be little of mutuality. Until some equitable distribution, accepted on both sides, by a common compromise agreement or because of an inescapable accuracy of apportionment, this distribution must be governed by the relative strength and the effective force applied on each side.

Managerial skill at the point where planning meets production is the supreme strategic point in future industry. The forces which shall control the production, executives who directly supervising labor, translate plan into product, are the forces that can control industry. Employers already have sensed this and they are hastening to bind to them these minor executives by developing foremen's training courses.

It is about this participation in management and in the division of the wealth produced in the industry that the impending industrial contest must revolve. Profit sharing can not satisfy this contest. The fallacy of profit sharing lies deeper than its mistaken psychology, deeper than its inconsistency in not sharing deficits, deeper than its assessing on the worker in reduced dividends losses usually beyond the effect of his individual enterprise and industry; it lies in an intrinsic dishonesty. Many employers, moved by the most honest intention, have been perplexed at the general and apparently increasing distaste among their employes for profit sharing systems.

In large measure this disfavor rests in an instinctive resent-

ment against the assumption by the employer in such plans of priority of claim on all surplus over the cost of production. The employer by granting profit sharing takes credit for a special virtue. To the laborer this must often smack of that benevolence of the robber who graciously makes to his victim a gift from part of the spoils.

There are arguments for deferred wages, but for profit sharing—except under a real partnership—none that are economically sound. The conviction of the worker that wages have been curtailed to effect the dividend is, so far as the economic fact is concerned, a correct view. That such is the intention of the employer—either to cover poor management or to keep down the current wage scale—may sometimes be true. But even if it were not true the fact would remain that any attempt to solve the wage problem by a "profit-sharing system" is clear proof of a complete misconception of the meaning of wages.

Adam Smith, back in the eighteenth century, established the cost of living as the controlling factor in the law of supply and demand in labor. There are modifying factors, such as working conditions and sales prices, but in the main, in actual shop practice, little improvement on Adam Smith has yet been made.

When the mechanistic theory of labor came in with Taylor, Emerson, and the "efficiency school," the employers of labor who became adherents of the school of **management** proceeded confidently upon the scientific concept that labor is a commodity.

So far as labor is a factor to be applied to production like power, and materials, and overhead, they were consistent. The real error lay in not distinguishing between labor as a complex of applied force to be released by a human self-determining being, and value released by an inert and non-sentient mechanism. Even so, labor owes much to this scientific management movement. It replaced the old concept of labor as a chattel, with wages a grudging concession, by the idea of labor as a commodity to be purchased at market rates. Production replaced time, and wages—of necessity under their system—became an incentive rather than a concession.

This, while improving the status of the worker, still fell as far short as ever of the real meaning of wages. For all their bold pretension to science, nothing could be more crudely unscientific than scientific management's interpretation of the meaning of wages. The direct ratio between the worker's actual con-

tribution to the value of the product and his wage they failed to recognize.

To point out that time and motion study assumed such a ratio does not answer this criticism because it is not in any analysis of work into its elements that such a ratio is established, but in the true evaluation of the work performed. In competitive products, where profits are slight, some such ratio may occur but hardly by any consciously deliberate purpose.

The efficiency engineer, persisting in his misconception of wages, tried by the introduction of welfare work to build up the necessary good-will which the mere stimuli of bonuses and premiums could not evoke. Against this there rose inevitably the same unreasoning but proper resentment workers feel against profit sharing. Something that was their own was being withheld to be presented to them in the guise of special reward or benevolence. Wage-earners felt deceived and injured even when they knew their employers were well intentioned.

What the wage earner of today wants is that which is his own. If he seems to be asking for a great deal more it is in part because he is human, and in part because he is ill informed; not necessarily ill informed by agitators and extremists, but ill informed in the past by employers and capitalists. So assiduously have these "Captains of Industry" paraded their parlor magic of finance and administration that the groundlings, too well befooled, now clamor for the materialization into their own hands and pockets of the mysteriously conjured coin and rabbits! These impressive gentlemen may have to do more than merely brandish their empty silk hats and turn back their cuffs—they may have to submit, with such good grace as they can muster, to a rather horny handed and thorough searching.

It will be no easy matter for management to live down the indiscretions of its capitalistic associations. Management, to our thinking, must be divorced from capital. Management must stand on its own merits—a type of labor.

The great problem of the future must be the adequate measurement of the contribution of the three factors—labor, management and capital—to the product so that each may receive its commensurate share.

Capital will continue to scrutinize management before it invests; labor should do the same before it invests. For until labor shall be regarded as an investment and not as an expenditure, no real progress beyond an armed truce can exist.

And if labor shall be regarded as an investment, wages must

take some account of depreciation. The worker who invests himself in industry at a wage which aims to meet only current living costs, must expect to find himself in old age a dependent on private or public charity. This is an arrangement neither humane or intelligent. Industry owes a worker, in return for his productive years, a fair and dignified assurance of his being taken care of through his non-productive years. In short his depreciation needs to be written off, whether in the form of a pension by the specific industry he has served, or by the operation of compulsory savings out of an adequate wage, or by the application of state insurance assessed on all industry, it is not necessary at this time to say. The essential principle to keep in mind is that wages that pretend to be a complete return for labor given without making provision for depreciation, disability or superannuation, are economically unsound and can never satisfy labor's unrest.

The time may never come when the refinements of accounting can effect, for the purpose of adequate wages, accurate measurement. In the meantime approximation must do, but approximation by an agency all parties can and will trust.

PAYMENT BY RESULTS¹

The dispute which led recently to a national lock-out in the furniture industry has presented one interesting feature which might with advantage be copied in all Labour disputes of importance. Throughout the dispute each party has courted publicity and has repeatedly issued to the Press statements giving its version of the circumstances and of the questions at issue. By this means the public has been placed in a far better position than usual for passing judgment and forming an independent estimate on the issues involved. It has at least found out what is the real point at stake, and that is often by no means easy to discover even in the most serious and protracted disputes.

But while the furniture manufacturers have set an excellent precedent by courting publicity in this manner, it is impossible to congratulate them upon the matter of their more recent pronouncements. As the dispute has dragged on it has become manifest that, although there are other issues involved, the one point which has effectually stood in the way of a settlement is

¹ The New Statesman. September 20, 1919. p. 609-10.

the question of payment by results. The employers desire to impose upon the operatives a system of payment by results to which the Trade Unions representing the woodworkers have always been and still remain resolutely opposed. Such a situation has, of course, often arisen before in many different industries. There is nothing new in a dispute of which the central issue is the method of payment to be adopted in a particular trade, or in an attempt by employers to impose one system while the Trade Unions concerned insist upon another. What is peculiar in the present case is the bland and self-confident manner in which the furniture trade employers in their manifestoes inform the public that payment by results is clearly in the best interests of the operatives themselves and affect to treat the Trade Union opposition to it as a piece of quite unexpected and wanton wrongheadedness on the part of the workers.

The question of payment by results is one of the most hotly-disputed issues between employers and workers in at least half of the main industries of the country. Practically the whole of the building and woodworking trades have always put up a strong and united opposition to payment by results in all its forms, and for the most part the system has only operated in these trades in places where the Trade Unions have been too weak to prevent its introduction. The engineering and kindred trades have been repeatedly troubled by the time-work *versus* piece-work controversy at least for the past half-century, and even in the coal industry, where piece-work has long been firmly established, the miners have in recent years been seriously considering whether to insist on the general adoption of a time-work basis of payment. The opposition to payment by results in many trades comes not from a wanton blindness on the part of the workers but from a serious conviction, which may be right or wrong, that payment by results is a bad system for the trades concerned.

This does not mean either that all Trade Unions in all industries are opposed to payment by results or that all employers in all industries are in favor of it. Some Trade Unions, such as those in the cotton trades, have insisted upon piece-work, and have based their whole policy of collective bargaining upon its acceptance. On the other hand, some of the worst sweating in the less organised trades has been done under a time-work system by employers who have resolutely refused to allow piece-work to be introduced, and have preferred to rely upon overdrive by foremen without paying the higher wages which

piece-work might, in these cases, involve. The position differs from trade to trade. There is, indeed, a strong body of Labour opinion which is always inclined to favour time-work because it holds that payment by results tends to break down solidarity and set man against man, and a strong body of Capitalist opinion which is always inclined to favour payment by results because it believes that it lowers cost of production. But, in almost every case, the Trade Unions form their final judgment upon the practical issue, and accept or reject payment by results according as they believe that, in the particular circumstances of their own trade, its adoption will be beneficial or the reverse.

It is a well-known fact that systems of payment by results always operate best and with least friction in those cases in which the output is easily measurable and least liable to disturbance by external or variable conditions—in other words, where a given expenditure of skill and effort can be relied upon to produce a given quantity of production, and where the question of quality is not important because it is largely out of the worker's control, being determined mainly by the machine, or by some other external factor. In proportion as the conditions in any particular trade deviate from this standard, it becomes more difficult to agree upon the terms of any system of payment by results, or to devise a system which will work with even approximate justice. The contention of the workers in the woodworking industry is that the conditions of their various crafts are such as to make a fair system of payment by results impossible.

(b) PROFIT SHARING

PROFIT SHARING¹

*Industrial Democracy in the United States Will
Come by Practical Application of Profit
Sharing—Not Philanthropy
Share—Not Give*

The profit sharing I believe in is the kind that is real; the kind that promotes thorough and efficient co-operation between employer and employee; the kind that makes partners of em-

¹ By George W. Perkins, Chairman Profit Sharing Committee, National Civic Federation. From *Current Affairs* (Boston). 10:3-5, 23-24. September 22, 1919.

ployes; the sort of profit sharing that is practiced between partners in a business. Anything short of this is bound to result in failure and will widen the breach between employer and employes.

Close observation, coupled with considerable experience, has convinced me that practically all the many failures in profit sharing, both in this country and in Europe, have occurred because at bottom the plans were not honestly devised nor equitably worked out. In nine cases out of ten, at some point in the practical application of the plans that have failed, the fact has developed that they were not mutually beneficial; they either did not enhance the efficiency of the men in such a way as to satisfy the employer, or else did not distribute profits in such a way as to benefit and satisfy the employes.

Relationship Changed

The relation between employer and employe has changed with the centuries. Originally it was owner and slave; then it was master and man; now it is employer and employe, each stage of development bringing the employer and employe into closer co-operation. What has caused this change in relationship? In my judgment the cause is found in the vast and broad educational forces that have been at work in the world. Since we founded this country we have spent approximately as much money on our education systems as on our railroad systems. We consider our railroads financially successful if they earn dividends.

Our Educational System

If our educational systems are successful the dividends we get from them are minds that think better, more clearly, more independently. Right now, this country is getting such dividends from its vast investments in among many partners. No man or firm or corporation that is thinking of adopting profit sharing can hope for educational plants. In the industrial world, in the relations between capital and labor, between employer, and employe, we are getting these very dividends, and getting them direct and in cumulative fashion on the wage question.

In the past, the man who was not educated or trained to think independently struck because he wanted \$2 a day if he was only getting \$1.75; and for quite a period labor differences were settled on this basis. I believe that we are rapidly passing

out of that period, for our laboring people are so well educated and so able to think independently that, in many cases, they are no longer striking for a definite increase in wages, but for what they regard as a fairer proportion of the profits of the business in which they are engaged. If I am right about this, then we are rapidly leaving behind the period when labor disputes could be settled by a mere increase in wages and are entering the period when profit sharing in some form must be practiced. Therefore, the question is, how can it be practiced effectively?

Outline of Plan

A good many years of actual experience have made me very optimistic regarding profit-sharing plans worked out along the following lines:

First: every business has, first of all, to earn operating expenses, depreciation, and fair returns on honest capitalization.

Second: I believe that every business should consider that the compensation paid employes is for the purpose to pay the above-mentioned items.

Third: I believe that any profits over and above such sum should, on some percentage basis, be divided between the capital used in the business and the employes engaged in the business.

Fourth: I believe that in neither case should these profits be immediately withdrawn from the business; that they should be left in the business for a reasonable length of time, to protect and increase its financial strength and safety; that, in the case of capital, its share of these profits should be carried to surplus, that, in the case of employes, their share of these profits should be distributed to them in some form of security representing an interest in the business, and that each employe should be required to hold such security for a reasonable length of time, say three to five years.

Fifth: I believe that the employes' share of these profits should be allotted to them as nearly as possible on the basis of the compensation they receive. Up to date, this has proved to be the best method.

Now, let us see what such a plan means: In the first place, it means that under such an arrangement each employe becomes a working partner in the business. He is on the same footing as the financial partners, for if the concern is a partnership with,

say, four or five members, the partners themselves are drawing out each year what, in a way, might be called salaries, viz., approximately the amount of money necessary to meet their general living expenses, leaving their surplus profits in the business. Any partnership or any profit-sharing plan that divided up the profits and withdrew them in cash at the end of every year could not last very long.

Why Some Plans Fail

Many profit-sharing plans have divided profits with employees on a cash basis and turned the money over to the employees every so often, usually once a year. The result has been that if a man earning \$1,000 a year received \$200 at the end of the year from a profit-sharing plan, he promptly lifted his living expenses from a \$1,000 basis to a \$1,200 basis, and began to look upon his income as \$1,200 rather than \$1,000, and the extra \$200 did little to increase his activity and efficiency, or to promote his intellectual efforts in the business concerned.

Then, if a period came when business was dull or poor and he did not get the extra \$200, he found fault with the owners of the business and became grouchy and inclined to lose interest in his work. If he did not use the \$200 for his living expenses, he probably invested it in a suburban lot or in some stock that was recommended to him, or in something that he knew little or nothing about. Then, if his investment began to go wrong, he worried about it, and part of the time which he was being paid to devote to the business in which he was engaged would be expended in worrying about his investment in the business in which he was not engaged; whereas, if his money were invested in the business in which he was engaged, his desire to see his investment succeed and bring him further profits would be converted into efforts that would be of some practical benefit, not only to himself, but to the stockholders and his co-workers.

In short, little real substantial benefit comes from a profit-sharing plan where the profits are paid out in cash, except perhaps where a man uses the money toward buying a home. There is, therefore, a serious weakness somewhere in such a plan, and the weakness lies in the fact that profit sharing cannot be really beneficial, either for employer or employe, unless conducted on a partnership basis and coupled with profit saving.

Looking at it from the viewpoint of capital, the object to be accomplished through the adoption of profit sharing is added

interest in the business on the part of the employes, which in turn brings higher efficiency. Looking at it from the standpoint of the employe, the object to be accomplished is a fairer remuneration for services rendered. Therefore, any profit-sharing plan that fails to accomplish both of these results breaks down sooner or later.

Full Publicity Needed

In establishing profit sharing it is of the utmost importance that the entire organization, the wage and salary earners, know in advance exactly what they are expected to accomplish. I mean by this that, on entering a new year, they should know exactly what the preceding year's accomplishments have been. The annual statement of the firm should be full and explicit, so that every man engaged in the enterprise will know what business was done in the preceding year and on what basis profits were and are to be distributed. An honest, detailed annual statement tells him officially what the profits were, if any, and this fixes a minimum goal for the coming year, which everyone, individually and collectively, will bend every energy to reach and exceed by as large an amount as possible.

Under such an arrangement as this, each man, in place of working solely for himself in his own department, will pass on to other departments any ideas that occur to him that might help that other department, and in that way benefit the organization as a whole. In my judgment, some profit sharing plans are radically wrong in this respect. They distribute profits by departments or in some way other than on the basis of the company's success as a whole. This narrows the vision of the individual, and he lacks the proper incentive to help wherever he can, whether in his own or another department.

The right kind of profit sharing offers definite goals that an organization, individually and as a whole, can buckle down to and work for, and it is astonishing how such a plan of profit sharing will heighten the esprit de corps. It removes petty jealousies; it makes a man eager to pass his ideas on to the man in the next department, and causes them to vie with one another to reach and exceed the figures reached in the preceding year.

A detailed annual report by the company is not only necessary to show the organization in prosperous years how the profits were arrived at and what they amounted to, but equally

necessary in lean years to show how the losses were arrived at, what they amounted to and why there are no profits to distribute.

Gradually, as the employes in the organization become part owners in the business, you broaden and deepen their interest in their work. They begin to think and speak of the business as their business; they work for it as their business, not your business or somebody else's, and in place of "knocking" it they praise it and "boost" it in every way they can, for they have become part owners through being security holders and are receiving their interest or dividends at the same time and in the same manner as other security holders receive theirs. In other words, once the employes become security holders, they share in interest or dividend distributions and other profits, not only as security holders, but as employes.

Objections Answered

Many people have said to me: "Oh, but it takes a long while for a man who is only saving a small sum each year to acquire much of a financial interest in the concern by which he is employed." I have always found that such criticism comes from some one who has not given sufficient thought to the subject, for a small interest means as much to the man having a comparatively small salary as a large interest does to the man of large affairs.

Let us summarize some of the advantages of this method of profit sharing:

First: It is real, it is genuine. The organization as a whole, and each individual in it, has a definite goal for the year's work. They know at the beginning of a year how much money must be earned to cover what we will call fixed charges; they know that they are being paid salaries to earn those fixed charges; they know that they share in all profits over and above those fixed charges, and they know the basis on which they share, and that the amount of such profits largely depends on the individual and collective effort of each individual in the organization. This in itself is of great practical value to the business from a dollar-and-cent standpoint. There is no philanthropy about it. The employes have a certain definite goal to reach. If they reach it they are paid a definite percentage for doing so. It is a definite business proposition, based on the principle of profit sharing as practiced in partnerships.

Second: Having reached the goal set, the money over and

above the salaries they are paid—in other words, their profits—are invested in the business in which they are engaged and on which their whole time and thought and energy should be centered. What a great advantage this is to the employer, and what a spur and an incentive to the employe! What more valuable insurance policy could an employer have against a year of poor earnings? What a real, genuine interest it arouses in the worker for the business in which he is engaged! The whole atmosphere, the whole relationship is changed. The employer need give little thought to whether or not his men are “soldiering” on him, whether or not they are really giving to their work the best that is in them; and the employe need spend little time wondering whether or not he is being properly compensated. The whole relationship is placed on a new basis, not antagonistic, as heretofore, but co-operative.

This plan is vastly different from the one now practiced by which one set of men working in a business, viz., the capitalists and partners, leave most of their profits in the business, while another set of men, working shoulder to shoulder with them, viz., the employes, each year take their profits out of the business and put them somewhere else.

Harmful Profit Sharing

It is also vastly different from the many bonus schemes in vogue. It differs greatly from the plan of arbitrarily setting aside, in a prosperous year, a certain lump sum of money and dividing it on a percentage basis among the employes. Under such an arrangement no man who gets any of the money has a very definite idea of what he did to earn it, what it represents, or what he individually can do to ensure the receipt of some such sum during the following year.

In fact, I am convinced that such bonus giving, erroneously called profit sharing, has done more harm than good for in many instances it has caused employes to think that said bonuses were given them because the business was earning fabulous sums of money, a tiny little bit of which was thrown to them as a sop to make them feel kindly disposed toward the owners, or in order to ward off a demand for a general increase in wages. In short, such bonus giving simply stirs up trouble rather than alleviates it.

Profit sharing, on the basis I favor, is sometimes objected to by men or concerns who do not wish to let even their own

employees know how little or how much money they are making each year. To such men I always say (and each year I am more and more certain that I am right in saying it) that they are very short-sighted if they do not hasten to change their policy. If they are not making enough money and the business is running on a close margin each year, then by all means they should set their situation before their men, adopt such a profit-sharing plan as I have outlined, and get the genuine co-operation of every man towards increasing the profits and putting the business in a prosperous condition.

They are now paying wages and salaries, and many a night go home wondering whether the employees are really earning their salaries. Under such a profit-sharing plan as I have outlined they have a substantial guarantee that the salaries will be earned, because in aiming to share in profits over and above fixed charges the men are all the more certain to earn at least the fixed charges. And would any proprietor or manager hesitate to pay a handsome premium each year for an insurance policy guaranteeing that every employe in the business would have the business on his mind and work as hard for its success as the proprietor or manager does?

Benefit to All

One more thought in this connection. The man who is running on a small margin and making little profit may object to making his business affairs public property, on the ground that he would be putting a weapon into the hands of his competitors. Such a man's best protection against his competitors is a loyal, closely knit organization of the highest efficiency, and this important advantage he can only secure through a bona fide profit-sharing plan.

As for the man who is making so much money that he is afraid to let even his own employees know how much he is making, to that man I say that he is the man who, more than any other, is responsible for the serious differences today existing between capital and labor, for with the growing intelligence of the masses, how can he expect such a situation to continue? Every year, yes, every day, it becomes clearer and clearer that such a condition will no longer be tolerated and must speedily pass away. Would it not be better for him to use some intelligent foresight and meet what clearly are to be the immediate future demands of public opinion?

As for the man who is making large profits but who objects to profit sharing on the ground that he wants to put those profits away against the day when business may be poor, to such a man, I say that he had better use some of those profits to more deeply interest his men in his business, and to do this to such an extent that if the dark days come he can be pretty certain that his men will stand by the business in a way that capital alone never can.

Obviating Difficulties

Profit sharing on the basis I favor is also sometimes objected to by concerns whose securities are closely held. There are many ways to obviate this difficulty. Some concerns can increase their capital. Others that cannot, or that cannot do so for a time, can obviate the difficulty by issuing certificates of participation that will draw the same percentage of profit as the regular securities of the business. In other words, where there is a genuine desire to share profits a way can always be found.

The day of secretive methods is passing rapidly. The day of publicity is at hand. The change is a perfectly natural evolution due to broader education and improved intercommunication and has also come about because it is second nature to be less suspicious and afraid of that which is known than of that which is unknown. Any profit-sharing plan without an open, honest balance sheet and detailed annual report will never succeed.

I am convinced that labor is entirely willing that capital should have its fair reward and proper protection, but in this country we have had too many instances where capital has demanded improper protection and taken exorbitant reward; and one of the main reasons why the serious problems confronting us today are so difficult of solution lies in the fact that too many men of capital are still arrogant and unreasonable, and absolutely unwilling to look with sufficient care and fairness into the causes that are producing the views and opinions so largely held by our own people at this time. On the other hand, one of the most serious drawbacks to increased output and economical production is the listless, indifferent service rendered by a large percentage of employees. Making partners of employees, through profit-sharing, would correct this as nothing else could.

Profit Sharing a Success

Some companies with which I am connected have realized the trend of the times and have for some time been practicing profit-sharing along the lines I have indicated. They believed that profit-sharing plans based on such principles would so knit their vast organizations together, and would so strengthen and develop the esprit de corps, as to make it possible for the companies to increase their business and their earnings; and they were willing to share this increased success with their employees. So far they have every reason to congratulate themselves on the results.

In all parts of their business, at home and abroad, in the office force, in the factories, in the sales department, everywhere, the individual employee's interest in the business is much greater than formerly. The saving in waste everywhere is noticeable. The employees are vieing with one another more and more to improve their respective and other branches of the business. All this means success for the company, profits for the stockholders, extra compensation for the employees. It means getting men on salaries and wages to have a live, keen interest in the management of the business. It means getting an organization of men to work as real partners. It means recognizing the right of the employee to a fairer share of the earnings of the business in which he is engaged. In short, it means co-operation that is complete, in that it benefits stockholder, employer and employee.

While all this can more readily be accomplished in a large business, it can also be successfully accomplished in a small business if approached in the proper spirit; and if applied generally it would remove to a considerable degree the dangers that are menacing modern industry, and which are largely caused by the feeling on the part of the masses that, through wages, they are not getting their proper proportion of the money earned in a given industry.

WHY I BELIEVE IN PROFIT SHARING¹

Boris Emmet in the August Review of the Department of Labor makes a strong case against profit sharing as a solution of the labor problem. It seems now clear that to look upon

¹ By Henry S. Dennison, President and Treasurer, Dennison Mfg. Co. Factory. 20:424. March, 1918.

profit sharing as any such panacea is a serious mistake, harmful alike to any real study of the labor or the profits problem. But because profit sharing does not solve the labor problem is no earthly reason why its possibilities in other directions should not be thoroughly searched out.

There are very definite chances for improvement in the customary distribution of profits. Any case of unearned or undeserved income, or of unrewarded successful effort, must have actual effect in lowering the worth and efficiency of the social structure, the life of which must more and more depend upon the fitting of reward to desert—of the punishment to the crime.

Picture a corporation led and managed by salaried men, sales managers, financial men, purchasing agent, factory manager—who hold no stock in the company, or at best only the one share each necessary for directors. Say, now, that it pays a goodly dividend rate, perhaps twenty percent, enough anyhow to repay amply all original and present risks; that it pays the full going rate of wages and salaries; and is prompt and liberal with suppliers and customers. If through the energy and insight of its managers it earns more than a net twenty percent, to whom should the excess go?

On the grounds simply of sound economic structure—for the purpose of maintaining and improving business and industrial efficiency, it would seem beyond question that it ought to go to the managing group. Sometimes part of it does, in the form of increases in salaries; but our question then applies to the part which doesn't.

Most often only a small portion of such excess goes to the managing group, the major part frequently being passed to stockholders without any question of desert, and thus adding to the unearned increment, which is already quite full enough of difficulties and of possibilities harmful to sound industrial progress.

To the recipient the baleful effects of this unearned income may be increased by the consequent rise in the sale value of his stock; to the managing group the perfectly apparent incongruity has more and more deadening effect as the opportunities for independent undertakings grow fewer in our aging country.

The conservative individual bases his social philosophy firmly upon the assumption that men will not do the work which must be done to keep the race alive, without an assured reward

as a stimulus, or unless the results of their efforts can be assured to them. History and present observation give strong basis for this assumption, which can be denied only by shifting to grounds of hope and faith; and an important, but an often overlooked corollary to this is that rewards unearned by effort cannot exist without weakening the will to work of the recipient. Profits given to capital in excess of the amount it could have been bought for injure the whole social structure through him who gives and him who takes.

If any part of earnings in excess of a fair return for the use and risk of capital goes to stockholders merely because they are stockholders, and if any part of the managing group goes without a share of such surplus earnings, the situation is a dangerous and harmful one, which should challenge the attention of any man who believes in the necessity of an appropriate reward to stimulate enterprise.

Most of our corporations are subject to this criticism though the facts are usually concealed by some degree of stockholding among the managers, and by the absence of the data upon which the fair return to capital can be figured. But they should look into their own conditions with care and frankness; and, as a matter of public policy, the formation of new corporations upon the old lines should be made difficult.

A discussion of the question of control would follow almost exactly the same course as the above discussion of the surplus: an unearned, an undeserved control is harmful to him who exercises it and to those over whom it is exercised. A strong case can be made for the claim that absentee control is a more damaging social influence than unearned income. Doing away with the qualifications of residence and literacy which limit the political electorate would not meet with the favor of those who believe we need rather more intelligence than less in voting.

Absentee or unearned control is also most often partially concealed in the modern corporation. Only a minority may be held by outsiders; or proxies may habitually give the control to some one of the managers; or a directorate skilled in management may seem wholly free of stockholders' interference; however smoothly things may work along for the time being, in the long run the real control will have its inevitable influence, conscious or unconscious, upon all workers.

To these two objects—the distribution of surplus more nearly in accord with desert, and the prevention of untrained

or absentee control—the studies of profit sharing can wisely be directed. While no final solution of the difficulties is possible, still constant progress must be made; and the assignment of profits with no regard for desert, or of voting rights without regard for ability works against the satisfaction of the worker and the manufacturing efficiency of the management.

Studies in the field of industrial relations can well be confined to bettering the conformity of wage to effort and to worth; to increasing the opportunities of the employees to express their ideas as to all conditions of their work; and to the establishment of a social relation worthy of the name between manager and worker. If profit-sharing studies are confined to the logics of control and of surplus earnings, a great contribution toward social advance may be made before long.

ROAD TOWARD INDUSTRIAL PEACE¹

*A Changed Attitude Since 1914 on the Part of Both
Employers and Employees Opens the Way to
Experiments in Profit Sharing*

There is no doubt that the attitude of the great majority of employers toward the labor question has undergone a great change since August, 1914. Many of the conservative, old-fashioned employers are seriously alarmed and much perplexed, and are inquiring as to the means of remedying the present confusions and disastrous tendencies. Thousands of employers are trying to apply in their own works or factories new methods of administration which will make their employes healthier, more comfortable, and more disposed to work with hearty good-will for the success of the particular industries in which they are engaged, because they themselves profit by that success. A very large number of employers and employes alike are beginning to realize that nothing can cure the present crushing ills of the civilized world except abundant production by all the peoples; that high wages have no tendency to cure the existing evils, but on the contrary increase them, because they raise the costs of production without increasing production; that the scales of wages on which the health, happiness, and capacity for progress of the human race depend are badly adjusted to each other, so

¹ By Charles W. Eliot from an article in New York Times. September 21, 1919.

that the results to the community are unjust and often highly inexpedient. Thus, for example, it is inexpedient and even absurd that a locomotive engineer should earn more than the Principal of a high school; or that a young woman of 22 sewing uppers in a well-managed shoe factory should earn two or three times as much as the young woman who is teaching school in the same town; or that an indifferent carpenter or plumber should be paid more than a highly trained and experienced civil engineer, or an ordinary mason more than a competent clerk in a good retail store.

On the side of labor significant changes of mind are also visible. While the ignorant masses of laborers are still believing that the only available way to advance the interests of their class is to fight for them with any degree of violence that may be needed for immediate success, no matter what sufferings they inflict on the community at large, the most intelligent of their leaders are beginning to see that that way leads to nothing except a common ruin; and these leaders are also anxious lest the masses abandon their own elected chiefs. They feel that the rank and file of the labor unions are getting out of control, and are following irresponsible agitators rather than their responsible officers. They recognize that there is no solution of the industrial troubles to be found by running round the circle—high wages, higher costs; high costs, higher wages. In short, the best road to industrial peace runs toward the increasing of good-will in all productive work; because it is plain that ill-will diminishes production, whereas good-will is capable of enhancing production to an unimaginable degree. The angel's song when Christ was born, as given in the revised version, is the soundest economic and political doctrine which the staggering, plunging, bewildered modern world has as yet had a chance to listen to—"Peace on earth to men of good-will."

Now is the time, then, to discuss and experiment with profit-sharing. The arguments for and against profit-sharing take a wide range; and so do the experiments which are actually under way. Many of the experiments are so ill-devised that they inevitably fail; and, on the other hand, some of those that succeed prove such valuable assets that their devisers conceal the nature and results of their experiments, lest their competitors imitate them. There is obviously no such thing as one best and uniformly applicable scheme of profit-sharing. Every individual factory should have its own scheme adapted to its own nature,

history, and surroundings; and so should every separate plant of a corporation or firm which maintains many scattered plants.

Then, there are many industries to which profit-sharing cannot be applied at all, just as there are many to which the eight-hour day cannot be successfully applied, unless it be treated as merely an acceptable plan for raising wages. The eight-hour day with its provisions about extra pay for overtime cannot be used successfully in a highly seasonal industry, like canning vegetables and fruits, or in an industry which inevitably has spasms of great activity followed by periods of comparative quiet, like canning herring, or publishing a magazine. Profit-sharing is, of course, not applicable to any occupation which is not conducted for a profit, like the services of charitable, educational, and religious corporations, or domestic service, or Government service of any sort, or the service of any corporation conducting a novel, experimental, or adventurous business in which there is large risk of either temporary or ultimate failure.

Recent action by the four railroad brotherhoods seems to indicate that labor has not yet apprehended the fact that no Government undertakings—national, State, or municipal—are conducted for a profit, or should be. The present confused situation would be clarified and improved by new legislation declaring that strikes and threats to strike are inadmissible in all Government services and all public utilities; but neither of the present political parties seems capable of carrying through such legislation. Possibly some new political combination may arise to frame and adopt it. The almost unanimous rally of public opinion against the desertion of their duty by the Boston policemen is hopeful in this direction. The popular objection to such desertion of duty applies with equal force to firemen, the engineers who pump the water supply for a large urban population, and the men who maintain the great transportation services on land, and with almost equal force to the men who maintain transportation by sea.

Through the smoke and din of the present combat it already appears to many disinterested lookers-on that profit-sharing, combined with co-operative management, in which the employes take active and responsible part, with co-operative care of the health, education, and happiness of employes, and with full knowledge by the employes of the employer's accounts, is the only road to industrial peace. The great private machinery industries, including transportation on land and sea, constitute

the best field for profit-sharing; and it is in this field that persistent experimentation is most to be desired.

The objections to profit-sharing are both theoretical and practical; and among the theoretical a leading one is the not uncommon apprehension on the part of owners, managers, and their counsel that if it be admitted in practice that the working people in a mill, machine shop, railroad, or mine are entitled to a share in the profits, the profitsharers will shortly claim that they are entitled to all the profits. This apprehension cannot be supported by observation of actual occurrences or by practical experience of profit-sharing schemes; because it is impossible to point to any fair and sensible profit-sharing scheme which has produced that effect on the minds of the workmen. Nevertheless, it is a formidable obstacle to experimentation on profit-sharing. Since it is not based on actual experience it ought not to prevent stable corporations or partnerships from trying rational experiments. On the other hand, it is difficult to corroborate by results of actual experience the theoretical argument in favor of profit-sharing that it will produce so great an increase of production as to be highly profitable to both capital and labor; because the practical demonstration involves a publicity of accounts which is very disquieting to most managers and owners, and the revelation to competitors of something which both employers and employes quickly come to regard as an asset which it is for their interest to conceal.

The advent to American factories of many thousands of ignorant aliens who can neither speak nor read English is, of course, a serious obstacle to the introduction of sound profit-sharing schemes, since they all require intelligence and some knowledge in the participants. The only remedy for this troublesome condition is education for both children and adults—a slow-working remedy.

Another difficulty which is serious, though perhaps temporary, is the nomadic habit of labor, which has been brought about, or at least greatly increased, by the war. The rapid "overturn" of the labor which many American employers have experienced of late is one of the worst symptoms of the times. Profit-sharing requires stability in the operative and mechanic classes, and when accompanied by good housing and good sanitation strongly promotes stability.

Another obstacle to the introduction of profit-sharing into modern industry is the opinion which still lingers in the manu-

facturing, though fading from the political or Governmental field, that autocracy is more efficient than democracy—a few managers, indeed, maintaining that autocratic management is indispensable. One of the aims of the reformers of industrial methods is often described as the introduction of democracy into business. The use of this phrase incites to opposition a considerable number of successful business men and managers of corporations who believe that active industries, like aggressive campaigns in war, must be really conducted by single autocratic executives of superior intelligence and will-power and prophetic insight.

On this subject the great war has taught important lessons. It has taught that in the fields of commercial and industrial activity which support modern military and naval operations experienced experts are the only men who should be given control. These men have been trained through actual experience in the various industries or trades with which they were connected, and have therein proved their competency. The Washington Administration and the State administrations apparently thought at the beginning of the war that the same rule would apply in the army and navy, and accordingly chose most of their advisers and commanders from the regular army and navy of the United States and a few from the State National Guards. As these sources shortly proved to be inadequate, the National Administration, so soon as it attempted to raise a large army by draft, was compelled to extemporize its officers, that is, to select and train them by hasty methods. The great majority of these officers came straight from civil life, and were without military experience. Great Britain was obliged to do the same thing in order to get Kitchener's mob promptly into the field. None of the armies opposed to Germany had had any experience of the kind of war that Germany proposed to make and had deliberately prepared for during a whole generation. Germany's methods were novel in important respects, and the armies of the nations opposed to Germany all had to learn how to deal with the new German methods and implements of warfare. They had to learn how to make and how to use high explosives, gas shells and clouds, bombing airplanes and submarines. They had to learn how to deal with the German policies of wholesale looting, depopulation, and devastation on land, and traceless sinking at sea. Now, it is an intensely interesting fact that Great Britain and the United States were very quick to extemporize

armies which without long and elaborate preparation could fight at least as well as any armies have ever fought, and before long better than the German armies which had had a preparation extending over a whole generation of men subject politically to a despotism, and in their military training to an autocratic military class. These extemporized armies were essentially citizens' armies, composed of citizens of democratic States.

In both these States the industries in support of the war had to be suddenly created or greatly enlarged out of the common mass of free citizens; and here, again, the freemen proved to be superior as to amount and quality of product to the Germans and Austrians, who had grown up under an autocratic régime. The explanation of these military and industrial phenomena is that men and women accustomed to the theory and practice of liberty possess, and will exhibit on occasion, more initiative, will power, and spontaneous energy than men and women brought up under despotisms. Men of intelligence and resolution can become expert in war services in a few months, if they are accustomed to act on the motives which inspire free men.

This war experience applies with great force to the conduct of the great industries of a free people. The industrial democracy must select and employ competent leaders, who can organize and maintain a high degree of co-operative discipline; and since leadership in long established industries requires much more knowledge and skill than leadership in military and naval operations except in the very highest posts, industrial leaders will require more knowledge and longer training than military leaders need; and the industrial democracy will have to select its leaders with great care, and stand by them with impregnable loyalty. But these leaders should not be autocrats, and the organization of the great industries should not bear the least resemblance to autocratic or military organization, except as both require promptness, co-ordination, and an understanding of the common object. The industrial manager of the future is to be a man of knowledge, skill, imagination, good-will, and personal power. This is the kind of man that the introduction of democracy into all business may be expected to produce and bring to leadership. In support of these views all freemen may be asked to take notice that the proceedings of the British Parliament and the Congress of the United States and of the administrations of those two democracies during the war show that po-

litical democracies will adopt temporarily any amount of autocratic method which may seem to them necessary to the accomplishment of the immediate ends they have in view. The same tendency appeared in the management of the war industries.

Prudent advocates of profit-sharing never represent the method as applicable in all industries, or as the single cure-all for the industrial strife. They maintain that profit-sharing must always be associated with co-operative management, that is, with the effective sharing by the working people in the management and discipline of the works or shops, and also with complete accessibility of the accounts of the establishment for the elected representatives of the workers, whether members of the company's Board of Directors or merely auditors satisfactory to the employes. In other words, profit-sharing should be only one element in a scheme having three parts. The object to be attained in any hopeful reorganization of the machinery industries is a generous sharing of control and responsibility, and therefore of profits, when there are any, after wages and interest on borrowed money have been paid. Nothing short of that will give satisfaction to both parties in the present industrial strife, and nothing else ought to. To take together a long step on the road toward lasting peace employers and employes must be really partners, with like motives for diligence, the prevention of wastes, and the adoption of improvements.

Some business men, who are familiar with the legal and commercial definition of a partner as a person who has agreed to divide with specified associates both the losses and the profits of their common business, and is competent to bear his share of the losses, have no use for the suggested partnership between capital and labor, because labor obviously cannot bear any part of losses. Labor certainly cannot. Its wages have been paid in advance by capital, and have been mostly spent for subsistence before profits or losses have been declared for the period covered by the wages. Nevertheless, sharing profits with capital, when there are profits, is a practice of high value as incentive to zealous and accurate work and to constant care of raw materials, tools, machinery, and finished product. This incomplete kind of partnership has, therefore, strong good effects.

In the United States certain policies already adopted in the hope of improving industrial conditions tend to prevent the adoption on a large scale of genuine profit-sharing or copartnership. These are the minimum wage, the "basic" day, and the

standard week policies, and in general the tendency to desire or demand uniform regulations for the infinite variety of industries which exist in a country presenting great diversities of soil, climate, racial and traditional conditions, and food and drink habits. Variety, flexibility, and mobility in industrial regulation should be the aim, not uniformity and stiffness.

Another serious difficulty in introducing real copartnership is the failure of a large portion of the public to realize that new capital is incessantly needed in any business which is to expand or grow, or even to maintain its efficiency. Hence, to impede or prevent the steady flow of new capital into a factory industry is to destroy it. Moreover, a fair return for capital in a long-established and steady industry producing staple commodities is a very different thing from a fair return for capital in a new and adventurous industry, or in an industry which produces articles whose market value depends on fashion, social whims, extravagant advertising, the ups and downs in respect to prosperity of different classes in the community, or changes in the pleasures, games, or sports of the populace. A strong argument in favor of opening an employer's accounts to his employees is that through knowledge of the accounts employees gradually learn that new capital is frequently needed, and that in most businesses money has to be borrowed at some peak of the business; so that the employer must have credit at the places where money can be borrowed. A curious illustration of this point came to light this Summer in a canning establishment in the Middle West, which has a strong peak lasting from three to four months. The business is really managed by a mixed committee containing manager, directors, and foremen or heads of departments, all of whom are profit-sharers. The company is new, and has no credit as such, the borrowing power lying with the manager. Knowing that a considerable sum of money would have to be borrowed in order to carry on the business during the peak, the managing committee insisted that the life of the manager should be insured for an amount which would cover the habitual borrowings for the peak. The managing committee took this action because it wanted to be sure of the money necessary to carry on the business, in case the manager should die before or during the peak. These profit-sharers had learned in a few months much about the proper co-operation between capital and labor, although the plan of profit-sharing under which they were working was a defective one.

On one point there is the utmost diversity of opinion among advocates of profit-sharing, namely, on the expediency of the workers' acquiring shares in the capital stock of the corporation which employs them. The British Labor Copartnership Association advocates the systematic acquirement of share capital by the workers as the principal method of profit-sharing. Indeed, the British association argues against the payment of any cash dividend to payroll. In the United States several large corporations have offered their employes strong pecuniary inducements to put their savings into the stock of the employing companies. There are obviously serious objections to profit-sharing by compulsory or urged purchase of shares in the employing company's stock. In the first place, the method is chiefly applicable to the higher-paid employes, like heads of departments, foremen, salesman, and clerks. Secondly, if the employing company urges its working people to put their savings into its stock, or tries to induce them to do so, it takes the responsibility for the effects of heavy falls in the market price of its stock, which are sure to be resented by those of its employes who have invested therein. Thirdly, the method violates the commonest rule of judicious investors, namely, the rule against putting all one's eggs into one basket. It is not obvious that the limited control over the management of a business which can be exercised by the moderate proportion of the working people in any plant that can become share holders to a small or even a large extent in the employing company will be only a short step toward industrial peace?

On both sides of the profit-sharing discussion it is essential to be cautious in arguing from the success or failure of single instances of applied profit-sharing. The instance most relied on by advocates of a thorough co-partnership between capital and labor is that of the thirty-eight joint stock gas companies of Great Britain, with combined capital of \$270,000,000; because it has been in operation for thirty years, and has withstood many serious difficulties, including a great strike, the continuous opposition of organized labor, broad fluctuations in the prices of coal and of the by-products of the gas-making process and the frictions of the great war. Yet the workers' share of profit in these great companies is put into the capital of the business and not paid in cash.

The experience of London with its gas companies is thus stated by the British Labor Copartnership Association:

"In London, of the eleven gas companies six practice co-partnership; but these six have forty times as much capital and produce thirty-four times as much gas as the other five, and all sell it at a cheaper rate."

Nevertheless, in these companies both co-operative management and profit-sharing are far from complete.

In the United States there are numerous examples of successful co-operative management and profit sharing based on inducing the workers to take up shares in the stock of the company. One corporation conducting a highly seasonal industry divides net profits equally between shareholders and the profit-sharing payroll, but pays the dividend to payroll only in stock, the company promising to buy on demand from any employe his stock at par, and all the profit-sharers promising that they will sell their shares back to the company at par if they leave the service. This is certainly an ingenious modification of the ordinary dividend to payroll in stock; but the company's experience with it is too short and its business too peculiar to permit any safe inference as to its applicability in general. In this company profit-sharing and co-operative management are alike limited to employes who are all-the-year-round workers; and these workers are paid weekly wages whether they are sick or well, and whether business is brisk or slack, and they expect to work long hours during the peak of the business, and receive no additional pay for overtime. There are also interesting examples of giving consumers a share in the profits of the concerns from which they buy, and many examples of co-operative buying and selling by neighborhoods. But the methods employed to secure profit-sharing have often been ill-devised, and the results in successful cases have, as a rule, not been published.

Any kind of profit-sharing will succeed which appeals to the fundamental motives that have for many centuries past induced men, rising out of barbarism, to be industrious and frugal, and to keep their promises and contracts. These motives are love of home and its surroundings, and of parents and brothers and sisters in the first home and of wife and children in the second, the desire to have steady employment and to accumulate property for the sake of home and descendants, and the hope of freedom from the dread of disabling sickness or accident, premature death, and a forlorn old age. Free Governments give these motives play, and a democratic administration of business will do the same. Genuine partnership between labor and cap-

ital will develop and satisfy these motive powers in both the partners, because every good profit-sharing scheme turns out to be for the advantage of both parties. War—especially the modern German kind of war—suspends the action of all these motives, besides killing and disabling multitudes of young men, impairing the vitality of millions of old men, women, and children, and wiping off the face of the earth thousands of beloved family homes. To prevent the recurrence of such destruction thousands of young Americans laid down their lives. Is fierce industrial war to succeed within each nation to the international war just closed? Is the impoverishment of all the nations to continue and increase? Are hate, jealousy, and anger to govern the conduct of the nations, or of different classes within the same nation? The good sense and good feeling of the American people at large can prevent these fatal calamities if capital and labor will establish friendly co-operative relations, and experiment together on the best way to feed, clothe, warm, and house the world in comfort. The road to industrial peace is the road to good-will among all classes and conditions of men, and there is no other worth traveling at all.

THE PROFIT-SHARING FALLACY¹

Profit-sharing is an attempt to throw the workers off the track that leads to victory.

Labor and capital, it is claimed by those who advocate it, should end their conflict by entering into partnership and sharing profits on a definite basis of division.

If the workers were to accept this seemingly generous proposal, they would find their last case worse than their first.

Speeding up would inevitably result in the effort to augment their share by increasing profits. And there would be a tendency to connive at high prices, with the same end in view.

The total effect would be most damaging to the interests of the working class. They would produce more and get less. Their labor would become intensified, while their purchasing power would decline.

The workers would do the speeding up, for capital as such is incapable of exertion. The workers would pay the high prices, for capital as such, is not a consumer.

¹ From *International Steam Engineer*. (This article represents the point of view of organized labor—Ed.)

Instead of improving their economic condition by profit-sharing, any general adoption of the scheme would lower the status of the workers and confirm their servitude.

There is another aspect of the matter, and a vitally important one. Profit-sharing would destroy unionism.

The interests of the workers would be split up and divided among unrelated commercial enterprises, many of them in actual competition with one another. No longer would they be bound together for the redress of wrongs suffered in common and the assertion of rights demanded in common.

They would be rivals in business and all their hopes would center on pushing the particular concern with which they were associated, thus rendering vastly more difficult any united purpose.

Unionism would disappear, and with unionism the most powerful factor making for the progress of the race.

This is a feature of profit sharing that will commend it to capitalists, because the progress of the race means the elimination of their class dominance and the establishment of an industrial commonwealth in which they would have no function to perform.

But it would be disastrous for the workers, riveting upon them the chains of slavery and stripping them of their historic mission of carrying on the evolution of society and, by liberating themselves, setting free mankind.

A big Australian firm recently announced its intention of putting its employes on a profit-sharing footing, its managing director declaring that in this method lay the solution of the industrial problem.

That many other firms will follow suit, when the labor situation will be pregnant with revolutionary possibilities, there can be little doubt.

The workers must be on their guard against this cunning and plausible confidence trick. Nothing is for their good that disperses their interests in a thousand different directions, instead of concentrating them on one desired goal.

The industrial problem will never be solved till capital ceases to be regarded as an active participant in production, rightly demanding profits, and becomes what it really is, a mere instrument in the hands of labor, no more entitled to dividends than a pick or a shovel.

HOURS OF WORK

(a) THE SHORTER WORK-DAY

THE EIGHT-HOUR DAY¹

The question as to the length of the working day is before the manufacturer and the public as never before, and in such strength that it demands a solution. Labor wants eight hours, but unfortunately many employers cannot see that their best interests will be served by operating their plants on an eight-hour basis. Some wise employers adopted the eight-hour day long ago of their own accord; others were forced to the decision by the demands of labor; while still others are resisting and stoutly maintaining a longer day.

Those who are working a ten-hour day seem able to see in the eight-hour plan only increased costs, both as to labor and burden charges. They seem to overlook the fact entirely that the work accomplished and not time spent in the shop is the factor which determines costs.

The case of one manufacturer, which is typical of many, may be cited. His plant was operating on a ten-hour basis; he was shown conclusively that the employees were not working over eight hours, that they started late, quit early, and were idle for considerable periods during the day, and he was urged to put the plant on an eight-hour basis. However, he replied, "We prefer to operate ten hours and let the men take it easy." Now that is not what the men want. They want an eight-hour day and are willing to work energetically for eight hours. Very few men are shirkers and most of the so-called loafing is occasioned by conditions in a plant, not by laziness on the part of the employees.

One of the strongest unions in the country, all of whose members work on an eight-hour basis, has laid down rules for its members which require them to give eight hours of actual

¹ By C. J. Morrison. *Engineering Magazine*. p. 363-6. December, 1915.

work. The rules stipulate that the men must be in their working clothes at their assigned places for work *before* time for starting work, and must not leave their places, clean up or remove their working clothes until *after* time for quitting work. Moreover, each shop has a representative of the union who sees to it that the rules are obeyed. Whether or not the men work during the eight hours is up to the management.

Of course if a plant simply changes from ten hours to eight and operates under rule of thumb methods, costs will be increased. On the other hand if the work is properly planned and despatched so that each worker always has a job and the necessary tools for performing the work, the costs can actually be reduced.

To show that the costs can be reduced when a change is made to a shorter working day, the experience of three large concerns may be cited. These concerns operate in entirely different lines and among them employ a very diversified line of labor. In fact all the well known trades are represented.

One of these concerns, a very large printing plant doing practically every line of printing, decided several years ago to change from a ten-hour day to one of eight hours. As competition in most of their work was very keen, the change could not be made unless costs could at least be kept from increasing.

The situation was studied for many months, and as leaks and wastes were found, measures to stop them were put in effect. Problems of power, light, heat, humidity, handling of materials, etc., were studied and conditions improved. Adequate methods of planning and despatching the work were installed, with the result that delivery dates were met and idleness in the plant reduced to a minimum. Finally, the eight-hour day was inaugurated amid great rejoicing on the part of the employees. In fact, the good feeling engendered was so deep rooted that it is still very much alive in the plant.

The company also has had every reason to rejoice, as costs were materially reduced and profits were increased. This is shown by the fact that the stock has greatly increased in price due to the higher dividends paid.

Since then most printing plants have been forced to an eight-hour basis and many have lost money. In fact, a number have gone into bankruptcy.

The second plant in consideration is a large concern with over 5,000 employees which does partly commercial and partly government work. At the time when the law was passed re-

stricting work on government contracts to eight hours per day, this plant was operating on a ten-hour basis with the work divided about equally between the commercial and the government contracts. All of the contracts had been taken on estimates made up on a ten-hour basis. As the law made no provision for increasing the price on government work and prices on commercial work could not be increased, the outlook was gloomy. Of course the commercial work could be continued on a ten-hour basis, but the company decided to throw the entire plant on eight hours and take the consequences.

Very much the same plans were followed as outlined above in the case of the printing plant. The consequences were very satisfactory. Every contract came out *under* the estimates, and during the past lean years the plant has been operating at full capacity due to its ability to underbid competitors.

A nearby competitor, operating under nearly the same conditions of commercial and government work, continued the commercial work on ten hours while working only eight hours on government contracts. They made no special preparations to meet the new conditions, but continued under the rule of thumb methods with the result that they lost money and were recently taken over by their financial backers.

The third concern makes a household article, which is extensively advertised and is well known throughout the United States and, to some extent, abroad. Their product requires a continuous operation of the plant, and they were working two shifts of eleven and thirteen hours, respectively. Every other plant in their line operates under these conditions, but they decided to run three shifts of eight hours each. Extensive preparations were made, as in the other cases, but with the exception that plans were made for a continuous production at a uniform rate regardless of the seasonable fluctuations in the sales. This meant that the production exceeded the sales in some seasons while falling short of the sales in other seasons. However, the plan gave the great advantage of steady employment and of running at the same rate throughout the entire year.

The employees were taken into the confidence of the manager and shown where the reduced hours would mean changes in their duties which upset all the traditions of the trade. With the exception of a single employee they replied that they did not care a hang for the traditions, but did want eight hours. This exceptional employee is working in another plant under the old conditions while his more tractable companions are

working the three shift plan for the old firm. Incidentally this plant has about the happiest set of employees to be found anywhere.

As in the other cases, the costs came out below the former figures, and this year the concern is giving the consumer more for his money. The sale price has been fixed for many years and it was not deemed advisable to make a reduction.

A very recent experience of a firm that was forced to the eight-hour day is enlightening. The management noticed that the employees were getting ready to present demands for an eight-hour day and, in order to forestall trouble, granted them an increase in pay for which they had not asked. They grumblingly accepted the increase and one month later struck for and obtained an eight-hour day. The management has very materially increased its difficulties in meeting contract prices. When an aggressive man wants some particular thing, he may accept something else, but, nevertheless, he will eventually get what he wants.

However, as a plant can earn money only while operating, why should it stand idle seven-twelfths or two-thirds of the possible working time? Why not run 16 or 24 hours every day except Sundays and holidays? Of course such an arrangement means eight-hour shifts, but is a sure way of reducing expenses in most plants.

The actual effect on any plant is, of course, dependent upon the proportions of the labor, material, and burden costs, but figures recently prepared for a plant may be used for an illustration.

The yearly burden figures for this plant when operating in different ways are as follows:—

EIGHT HOUR SHIFTS			
	3 shifts	2 shifts	1 shift
Rent	\$50,000	50,000	50,000
Power	45,000	28,000	12,000
Insurance	10,000	8,000	6,600
Depreciation	30,000	24,000	18,000
Superintendence	29,800	23,200	16,600
Interest	30,000	30,000	30,000
Freight	20,000	14,000	7,000
Shipping	12,000	8,000	4,000
Repairs	15,000	10,000	5,000
Supplies	6,000	4,000	2,000
Shut down losses	2,600	15,000	15,000
	\$250,400	214,200	166,200
Pounds produced	9,000,000	6,000,000	3,000,000
Burden per lb.	\$ 0.0278	0.0357	0.0554
Burden per lb. in excess of 3 shift plan		0.0079	0.0276

In these figures the one and two shift plans have been greatly favored as the manufacturers did not want to deceive themselves into the three shift plan. The power account includes a very heavy figure for lighting on the three shift plan. Depreciation is charged off at a lower figure on the two and one shift plans than on the three, although it should be practically the same, for in a plant where all equipment is kept in repair, depreciation is an item to cover obsolescence. Freight and shipping are made proportional to the number of pounds manufactured, although they would be actually lower in proportion on the three shift plan, as that plan makes a carload shipment every day, while the two shift makes a carload every day and a half, and the one shift a carload every three days. Even with these allowances the manufacturing cost is overwhelmingly in favor of continuous operation.

Other items of administration, sales, and general office expenses would still further favor the three shift plan, but have not been considered in order not to confuse the issue.

The selling price, in the case considered above, allows a net profit of three cents (\$.03) per pound over the cost on the three shift plan. This profit is reduced to \$.0221 on the two shift plan and to \$.0024 on the one shift plan. The total profit on the year's operation is therefore as follows:—

3 shift	2 shift	1 shift
\$270,000	\$132,600	\$7,200

The entire possible output of 9,000,000 pounds could be sold, but to manufacture it on a two shift plan would cut the profit down to so low a figure as to make the enterprise unattractive, while to manufacture the amount on a one shift plan of either eight or ten hours would result in a loss.

In most industries competition is steadily becoming more severe, which means that costs must be reduced and labor kept satisfied. Modern methods of management combined with continuous operation of plants is the logical solution of the problem.

LABOR'S VIEWS ON THE SHORTER WORKDAY¹

Securing the shorter workday is a matter engaging not only the attention of the working people of the United States, but

¹ From the American Federationist. November, 1919.

the attention of the people of the world. The masses of the working people in all those countries in which Labor has reached the point of intelligence and forceful participation in the direction of industrial affairs are determined that the length of the working day shall be commensurate with the best standards of health and happiness and that excessive hours of labor can no longer be tolerated.

The Executive Council in dealing with the subject made this statement to the convention at Atlantic City, N.J. June 1919.

In another section of this report, that is, the Reconstruction Program of the American Federation of Labor, which has been approved by us, the subject of hours of labor is considered. In view of the several resolutions of the St. Paul Convention dealing with the subject of the eight-hour day and the directions of the convention that the Executive Council should continue its work along the line of the shorter workday activities we feel it necessary to make further reference to the subject, for there is nothing in which Labor is more vitally interested than in fewer hours of daily toil whereby are afforded leisure for rest and recuperation, and opportunity for the things that make life worth living.

In the statistical section of this report record is made of those organizations which have been successful during the year in establishing the shorter workday. In every way within its power the A. F. of L. through its executive officers and organizers has assisted the organizations that have made the struggle for the shorter workday.

There is nothing spectacular in such work. It is the steady onward progress day by day. Particularly in the textile industry has progress been made. Many of the workers of that trade now enjoy the forty-four hour week. Other organizations have conducted vigorous and fruitful campaigns for the eight-hour day or the forty-four-hour week.

Few other years have shown a more satisfactory progress in the reduction of the length of the workday than the year just closed. It is significant that the practical value of the shorter workday was shown most emphatically during that period of the nation's life when the utmost in production was required to satisfy the demands of war.

The satisfactory results, not only in health and comfort and the general well-being for the workers, but in volume of production as well were demonstrated during the war beyond all question. The rapid trend toward the general establishment of the shorter workday developed during the war must not be allowed to wane during the period of reconstruction.

In order that the subject may be dealt with most comprehensively and completely to the end that the most constructive suggestions may be placed before the convention, we recommend that the entire subject be referred to the Committee on Shorter Workday with instructions to report to this convention for consideration and action.

On a resolution presented to the convention the Committee on Shorter Workday submitted, and the convention approved the following:

WHEREAS, The necessity of a shorter workday and a shorter work week is most essential to the full economic life and welfare of the workers; and

WHEREAS, The securing of the shorter workday and week can only be accomplished by and through the proper coordination of all the elements of organized labor of this country affiliated with the A. F. of L.; and

WHEREAS, The only practical method of inaugurating such shorter hours of toil in all American industry where it has not as yet been established, is by inaugurating a campaign under the direct supervision of the Executive Council of the A. F. of L., in conjunction with the presidents of all affiliated national and international organizations; and

WHEREAS, This campaign should begin immediately following the adjournment of this convention; therefore, be it

Resolved, That the Executive Council of the A. F. of L. is hereby authorized and instructed to call a conference at an early date in the city of Chicago. The delegates to be composed of the presidents of all affiliated national and international organizations; and, be it further

Resolved, That this conference is directed to take up the shorter workday, to consist of not more than eight hours for the first five days of the week and not to exceed four hours on Saturday.

Resolved, That this conference shall exert its full influence and power to establish within the shortest possible time, the intents and purposes as set forth in this resolution.

Your committee agrees with the declaration made in the resolution that there is necessity for a shorter work week, and that this shorter work week can only be accomplished for the general labor movement by the coordination of all the branches of organized labor of the country.

It agrees also that in order to inaugurate a campaign to bring about the desired result on a shorter work week proposition, the Executive Council of the American Federation of Labor should cooperate with the officers of international and national unions when efforts of those organizations along the lines mentioned are being put forth. It also agrees that a campaign on the shorter workday can not begin too soon, but it does not feel that it would be wise at this time to instruct the Executive Council to call a conference at a specified place of the presidents of all affiliated unions or that this convention should give directions to such a conference if one is called.

Your committee, therefore, recommends that this convention declare in favor of the eight-hour day as a maximum workday and the forty-four-hour week, and instructs the Executive Council to use its best efforts in assisting any organization that is endeavoring to inaugurate these working hours.

The following is the report on hours of labor made by the Committee on Shorter Workday and which was adopted by the convention.

Reasonable hours of labor promote the economic and social well being of the toiling masses. Their attainment should be one of labor's principal and essential activities. The shorter workday and a shorter work week make for a constantly growing, higher and better standard of productivity, health, longevity, morals and citizenship.

The right of labor to fix its hours of work must not be abrogated, abridged or interfered with.

The day's working time should be limited to not more than eight hours, with overtime prohibited, except under the most extraordinary emergencies. The week's working time should be limited to not more than five and one-half days.

In giving consideration to a shorter workday at this time there are many things to be taken into consideration. In the first place it must be realized that during the war five million of the most active young men in the country were taken from industries for war service. In spite of this the production of the country during the war period was greater than it had been at any other given period in history. Of course, this great production was materially assisted by the introduction of women into the factories, and to a large extent the elimination of the liquor industry and taking over of people previously engaged in that work for war production.

Labor organizations for many years have been fighting to secure the eight-hour day, once known as the shorter workday. This eight-hour day meant forty-eight hours of labor per week. Because of the changed conditions brought about by the war a number of the industries have been able already to introduce the forty-four-hour week, continuing the eight-hour day with a half-holiday on Saturday.

Only twelve years ago the International Typographical Union expended more than four million dollars in securing for its members the forty-eight-hour week in the printing industry. At the present time that organization is negotiating for and will probably receive the forty-four-hour week through conciliation and without the expenditure of any sum of money. The garment working trades have succeeded in securing the forty-four-hour week. Other industries have done or are doing likewise. Your committee believes it will be but a short time until the eight-hour

day with a half-holiday on Saturday, meaning a forty-four-hour week, will be the universal hours of labor and adopted in all industries.

While this is most desirable and your committee recognizes that the Executive Council has used all its available power for the purpose of assisting in bringing about a forty-four-hour work week in all of the crafts it advises this convention to go even further than this.

There is at the present time a large volume of unrest among the workmen on this continent. There can be no doubt but that there are two reasons for this unusual condition—first, the high cost of the necessities of life; second, unemployment.

Until wages are so adjusted that the earnings of labor will buy the same amount of the necessities of life that could be purchased by the earnings previous to the war, this unrestful exhibit by the working people has a foundation for its existence that can not be set aside. Previous to the war the dollar earned by Labor would buy a certain amount of a certain quality of food and clothing. The dollar earned at the present time will also buy a certain amount of a certain quality of food and clothing but it will not buy the same amount that the dollar earned previous to the war would buy. Until this gap is bridged and the wages increased so that the same amount of the same quality of goods can be bought with the dollar of today as was possible before the war, the condition of the laborer will be less desirable than in the pre-war period. Manufacturers and employers of labor should recognize this fact and increase the wages to this point without any controversy.

Regarding unemployment. It is almost impossible to peruse a daily paper without finding somewhere in its columns a statement that every effort should be put forth to secure employment for soldiers returning from across the sea or from the camps maintained in this country. This is a most laudable effort and meets with the approval of all classes of people. However, for the general good of the community work must also be provided for civilians as well as ex-soldiers. If there is not sufficient work in the country to give the returned soldiers steady employment and at the same time give continuous employment to all other people seeking work, then conditions must be so changed that all of these people can be taken care of. This can best be done by the shortening of the hours of labor.

There is no doubt but that in the near future many organizations will determine that in order to take care of all of their members gaining a livelihood by employment at their trade it will be necessary to inaugurate a six-hour day.

Your committee, therefore, recommends further that the Executive Council lend its assistance in the fullest degree to any organization seeking to establish a shorter workday that will provide for the employment of all its members. The organization itself must necessarily be the judge of what should be the length of the workday in the industry over which it has jurisdiction. When it has decided and established its claim to shorter hours, no matter what they may be, then the American Federation of Labor should lend its fullest assistance and your committee so recommends.

EXECUTIVE COUNCIL OF THE AMERICAN FEDERATION OF LABOR ON THE SHORTER WORKDAY¹

It is an accepted principle that the shorter workday is a fundamental step in the betterment of the workers. The shorter workday affects the length of life, the health, the standards of life, and, in fact, every phase of the lives of the workers. The wage-earner whose hours of labor are decreased goes to work and comes from work at a different time than before, and con-

¹ From American Federationist. 23:181. March, 1916.

sequently comes in contact with people whose habits of living are different. From contact with these people of greater leisure, he establishes new ideals. He has a greater number of hours in which to rest, revive his energies and devote to recreation or the development of his mind. Thus the shorter workday makes of the worker a different person, a person of greater physical endurance, greater vitality, higher ideals, and consequently a person who will not be satisfied with the old standards of the long hours of work.

The improved methods of production which always follow a reduction in the hours of labor increase the productive power of the worker and consequently he is in a position to demand and receive higher wages. Invariably every decrease in the hours of work per day is accompanied or followed by an increase in wages. The shorter workday movement is to secure to the workers greater material advantages. It is an important movement in conserving national vigor and health and in guarding against those tendencies that undermine true national power. From this is evident the importance of the action of the Philadelphia Convention, in adopting the following:

"The American Federation of Labor, as in the past, again declares that the question of the regulation of wages and the hours of labor should be undertaken through trade union activity, and not to be made subjects of laws through legislative enactment, excepting in so far as such regulations affect or govern the employment of women and minors, health, and morals; and employment by federal, state or municipal government."

TRADES WITH THE 44-HOUR WEEK¹

Summary of Movement for Shorter Work-Day and Work-Week

Few other years have shown such reduction of the length of the work day and a shortening of the work week as the past two years.

Labor organizations have for many years been urging the eight-hours day, once known as the "shorter work day." This eight-hours day meant forty-eight hours of service per week and often required a longer work day than eight hours for the first five days in the week to permit the observance of a half-holiday on Saturday after-noon.

The eight-hours day or forty-eight-hours week is almost universally observed in unionized branches of American industry.

¹ From Industrial Relations. Bloomfields' Labor Digest. 1:57-8. December 6, 1919.

During the war and since the signing of the armistice, there has developed among the unions a demand for a shorter work week of eight-hours work for the first five days and a four-hour work day on Saturday, or a forty-four hour working week.

Such 44-hour week prevails in at least two important industries, viz.: the building and clothing industries. Agreements have also been entered into with national organizations of printing trades employers and international printing trades unions, providing for the universal observance of the forty-four work week throughout the printing industry March 1st, 1921, in all its various branches of commercial production.

It is estimated at the present time that over a million and a half organized wage earners are working on a forty-four hour work week schedule. There will be increasing pressure in almost every craft and occupation for the forty-four work week schedule.

From figures available, it is estimated that nineteen trades and occupations, which are national in scope, are working on the forty-four hour weekly schedule, affecting directly over 1¼ million journeymen work-men. Eighteen additional trades and occupations have established this sort of work week schedule for certain branches of their crafts or followings. The chart given below illustrates the trades and occupations where the forty-four hour work week is established and observed throughout the trades and occupations and the number of all organized workers affected:

While definite figures are not at hand of the total numbers of workers engaged in occupations whose members are in part working under the forty-four hour working week schedule, it is quite safe to say that all workers on building operations are on this shorter work week schedule. Unquestionably other trades and occupations not enumerated in this chart and who are directly employed on building operations are likewise working on a forty-four hour working week basis, thus augmenting the number of workmen who are now employed on a forty-four hour work week arrangement.

In the printing trades the shorter work week is quite generally observed in all the mechanical departments of newspapers, especially amongst the workers employed at night. This includes compositors, pressmen, stereotypers, proto-engravers and mailers.

In the commercial branch of photo-engraving, most of the employees engaged at night are working on a forty to a forty-

four hour work week schedule and quite a proportion of these workers employed during the day are now working on a forty-four hour week standard. By the operation of existing agreements and those in process of negotiation at the present time, it is safe to say that by January 1, 1920, practically the entire commercial branch of photo-engraving will be operating on the forty-four hour week standard for the day men and a lesser weekly standard for those employed at night.

By agreements entered into with the National Printing Trades Employers Association and the several International Printing Trades Unions, the forty-four hour work week will become the prevailing standard of employment throughout the commercial printing industry by March 1, 1921, which in addition to the photo-engravers, will include the compositors, pressmen, electrotypers, book-binders and mailers.

It is thus apparent that within the next year and a half, the entire commercial printing industry will be operating on the shorter work week schedule.

Considerable attention was given this subject at the last convention of the American Federation of Labor, held in Atlantic City in June of this year. A special committee was appointed to deal with this particular proposal.

The American Federation of Labor intends to support all affiliated organizations to attain the forty-four hour working week, and it is preparing to assist in a move for the six-hour day for certain trades if deemed essential to maintain members in permanent employment.

TRADES WHERE 44 HOURS OR LESS PER WEEK PREVAIL AT PRESENT.

Organization of Trade or Calling	Length of Work Day	Length of Work Week	Number of Workers Affected
Asbestos Workers	8	44	3,000
Amalgamated Clothing Workers } United Garment Workers }	8	44	175,000
Broom and Whisk Makers	8	44	1,900
Carpenters	8	44	320,000
Carvers (Wood)	8	44	900
Draftsmen	8	44	5,000
Elevator Constructors	8	44	3,018
Fur Workers	8	44	10,000
Granite Cutters	8	44	12,000
Hod Carriers	8	44	44,721
Ladies Garment Workers	8	44	145,000
Lathers	8	40-44	7,000
Painters	8	44	505,000
Plumbers	8	44	50,000
Sheet Metal Workers	8	44	20,000
Slate and Tile Roofers	8	44	600
Structural Iron Workers	8	44	21,000
Window Glass Workers	6¾	38	4,600

THE TRADES AND OCCUPATIONS IN WHICH BRANCHES OF WORK ARE
OPERATING ON THE FORTY-FOUR WEEKLY SCHEDULE ARE
ILLUSTRATED IN THE FOLLOWING:

Organization of Trade or Calling	Work Day	Length of Work Week	Number of Workers Affected
Blacksmiths	8	44-48	40,000
Boot and Shoe Workers	8	44-48	41,545
Bottle Blowers	8	45	10,212
Cigar Makers	8	45-48	40,000
Copper Plate Printers	8	44-48	1,346
Diamond Cutters	8	46 $\frac{3}{4}$	600
Electrical Workers	8	44-48	13,500
Electrotypers and Stereotypers	8	44-48	5,500
Flint Glass Workers	8	44-47	1,000
Glove Workers	8-9	44-50	950
Machinists	8	44-48	460,000
Pattern Makers	8	44-48	10,205
Paving Cutters	8	44-48	2,800
Photo-Engravers	8	40-48	5,400
Pressmen	8	44-48	6,000
Steel Plate Transferers	7 $\frac{1}{2}$ -8	41 $\frac{1}{2}$ -48	87
Teamsters	8-10	44-60	11,300
Typographical Workers	8	44-48	65,000

MAXIMUM VS. MINIMUM LEGISLATION¹

1. Public opinion is back of the movement to shorten hours and I am heartily in favor of this movement. A different view, however, should be taken in working this out from that which has been taken in the past. I believe that there are two distinct phases to this question: first, that hours should not be so long as to cause fatigue, and second, that when this length of hours has been reached, it is very desirable still further to shorten hours as a reward for efficiency.

2. Generally speaking, the desirability of the second has been confused with the first and has led to drastic and unintelligent legislation without consideration of the facts. In my opinion the scope of legislation should be strictly limited to the first proposition. If such legislation is to be based upon facts, the result will not be an arbitrarily hard and fast limitation of an eight-hour day or a forty-eight-hour week applied to all indiscriminately, regardless of conditions.

3. If we are to consider the facts, the industry itself must be taken into consideration from every point of view. In other words, there are conditions inherent in the nature of the industry that should govern the situation. In some industries women are required to perform hard manual work while standing

in water or confined to work rooms that have to be especially heated to a very high degree of temperature. It is apparent that the maximum limitation of hours in such an industry should be vastly different from that in an industry having good wholesome surroundings and requiring only a minimum of physical effort.

4. Moreover, in order that the great mass of workers in a scientific organization may work the minimum of hours, it is essential that a few, whose business it is to prepare their work and whose actual efforts are generally semi-clerical and intermittently performed, work a greater length of hours than would be considered a proper standard for the general working force. For example, it will be generally conceded that the great mass of executive work of an organization requires a longer time for its performance than that of the general body of workers in the shop. Practical legislation must not only take this fact into consideration but must also provide for the large amount of semi-executive work which is also essential in a well organized plant to insure against the usual delays and other obstacles in furnishing work to the worker. This does not mean that the principle of limitation of hours should not be applied to all. In fact it is just as essential to have the hours of office and bank clerks, household servants and others included in maximum hour legislation as those of any other class of work. I believe, however, that legislation should take into consideration all the facts and conditions and should not make any general provisions, rather making limitations dependent upon industry, occupation and other specific conditions.

5. In the construction of legislation of this nature I wish particularly to call attention to the desirability of having limitations set rather for the week than for the day: Limitations for the day should be of such a nature as to permit weekly limitations of hours to be used up in any five days in the week. Investigations are bringing us more and more to realize that cumulative rest periods at the end of the week are more valuable than shorter rest periods scattered through the week. We believe that further investigation will undoubtedly prove that it is a most beneficial plan for workers to work somewhat longer periods during five days in the week in order to get two days of complete relaxation at the end of the week. It is our opinion that in the near future the ideal week for the worker will consist of five full days of work and two full days of rest. Unintelli-

gent legislation is one of the greatest obstacles to this attainment.

6. I wish particularly to call attention to the fact that the sphere of legislation should consist in setting maximum limitations. Very often the minimum or at least the actual standard desired is set up as the maximum, the practical result being quite different from that intended by those who support this kind of legislation. Naturally, the result is neither sound nor fair.

7. In the vast majority of industries, and in fact in all industries involving consecutive or continuous manufacture, it is absolutely essential that a small group of workers work a little more than normal hours occasionally in order that the remainder of the workers in the business do not materially suffer. These extra hours of overtime, while sincerely deprecated by all, do not, however, become a burden, because in the ordinary course of things they are distributed and occasionally fall on this group and occasionally on that group of workers. In its effect upon any one group it amounts to a very small fraction of time, but it is very essential to the rest of the organization and should be provided for by intelligent legislation. To provide for the above practical contingency the maximum limitation of hours can be set somewhat higher than the actual effect desired. For example, if the maximum is fifty or fifty-two hours a week, the average regular time in a factory will necessarily be about forty-eight hours or less.

Fig. I will show the chart of a typical day's work in a scientifically managed factory. This will illustrate the fact that, where work consists of a series of consecutive operations, the length of time worked by different operators varies considerably, and while in this instance there are a very few operators whose work covers a period of nine hours or a little over, the working time of the vast majority is considerably less. So the record for any week's work in the same factory would show a few operators working about fifty hours, while the actual hours of work average between forty-three and forty-four.

Another way to meet contingencies of this kind is to have the law provide for a standard working schedule to be properly posted in every work room with a certain additional number of hours extra time permitted with certain other restrictions. There are of course many other ways for meeting this and similar contingencies which have to be faced in the practical

working out of legislation of this kind. The chief thing to my mind in the working out of reasonable legislation should be the taking into consideration of facts and their results and a full realization that the facts in each case should be the subject of scientific investigation by experts. That the opinion of experts is valuable goes without saying. That consideration of the subject from this point of view is practicable I need only refer to a recent paper of Professor Frederic S. Lee of Columbia University entitled "Is the Eight-hour Working-day Rational?"¹ In this article Professor Lee speaks of a classification, on a physiological basis, of work and workers:

Such a study is not impossible, and it would afford the only basis for a rational and really intelligent solution of the problem. It would doubtless lead to the establishment of no rigid, but an elastic system in which the work would be adapted to the worker, and the worker to the work. In one industry the duration of labor might be eight hours, in another it might be more or less than eight hours. So too, within a single industry one worker might labor longer than another. Such a solution could be made to satisfy both economic and social demands and lead to the maximum of individual and national efficiency.

WHERE TIME IS MONEY "

The most important thing in the labor contract is the item concerning wages. Under the pressure of war prices there is a growing tendency to pay in accordance with the cost of living—a movement that is sure to mean greater comfort to the workers, not only during the war but after it. Second in importance, from the wage-earner's standpoint, but very near the top of the list nevertheless, is the question of hours. Here, too, the war has been influential in bringing about changes that will be of great and lasting benefit to labor.

The idea has widely prevailed for years that the tendency toward shorter hours of labor, and especially toward the eight-hour day, was constant and marked. Yet strange to say, the census figures have not justified such a belief. The 1910 census showed that in 1909 only about 8 per cent of the 6,600,000 wage-earners then engaged in manufacturing, worked forty-eight hours or less in a week. In the five-year period following, there was a slight improvement. In 1914 the number of wage-earners

¹ Read before the Section on Industrial Hygiene of the American Public Health Association, Cincinnati, October 25, 1916. Appearing in the November 24, 1916, issue of *Science*.

² By John A. Fitch. *Survey*. 39:494-5. February 2, 1918.

was over 7,000,000 and those who worked forty-eight hours or less in a week represented nearly 12 per cent of the total.

But a change came with the year 1914. Since then there has been a constant and rapid extension of the eight-hour day. Early in 1916 an attempt was made to measure its progress by checking up reports appearing in newspapers and elsewhere. After correspondence with many firms and trade unions, Ruth Pickering was able to estimate in the *SURVEY* for April 1, 1916, that in the previous ten months 100,000 men had achieved the eight-hour day in the United States. At the end of that year, Dorothy Kirchwey Brown brought the study down to date by using the same methods. Writing in the *SURVEY* of January 9, 1917, she expressed the belief, based on figures which she presented, that in the year 1916, 400,000 wage-earners had secured the eight-hour.

Last fall a later and official statement appeared. In the *Monthly Review* of the United States Bureau of Labor Statistics for September, 1917, an estimate was made of the number of wage-earners securing the eight-hour day in 1915, 1916 and in the first six months of 1917. The information was taken from leading trade union periodicals, labor papers, trade journals, daily papers published in various parts of the country, annual and other reports issued by officers of labor organizations, and replies to inquiries made by the bureau. On the basis of the information thus secured, the bureau reported a total of 1,051,703 employes as having secured the eight-hour day during the time covered.

Included in this number were 400,000 railway employes. It seems doubtful, however, whether these should be counted. There had been no investigation of railway practice. It was assumed, apparently, that the passage of the Adamson law gave the train crews an eight-hour day. This is not a safe assumption. But if the railroad men are left out there remains a total of 651,703—a greater number securing the eight-hour day in two and a half years than the total number in manufacturing industries who had it in 1909.

Undoubtedly this movement is due in large part to the scarcity of labor and the necessity of conciliating those workers who are available. Another consideration that must have had a great deal of weight, is the new knowledge that has been acquired since the outbreak of the war on the subject of fatigue and its relation to output. Probably nothing that has ever been

published has had a more profound influence in this respect than the reports of the British Committee on the Health of Munition Workers. That England, in order to achieve her maximum efficiency and be in a position to carry on a war with the utmost vigor, should actually curtail working hours and frown upon overtime and Sunday work, is a fact of far too great significance to go unheeded.

But there has been a considerable amount of experience in this country which has had its influence. The great increase in production at the plant of the Ford Motor Company, after working hours had been reduced from nine to eight, has been frequently pointed out. Other companies have been making experiments. The Cleveland Hardware Company, a concern employing several thousand men, had a regular working-day three years ago of nine hours. For years the company had experienced a busy season in the middle of the winter, during which it was customary to work one hour overtime. Three years ago when the time came for going on the ten-hour schedule, the management, which had been studying the matter, decided to run straight through the busy season on the old nine-hour schedule. Superintendents and foremen were horrified. They expressed the belief that the company would not be able to fill its orders. Nevertheless, the rule was adopted and overtime was abolished. At the end of the year when they checked up results, they found that it had been the year of largest production in the history of the company. The next year when the time for the busy season arrived, instead of trying to meet it with the regular working schedule, the management took an hour off, and the whole force went on the eight-hour day. Again, foremen and superintendents expressed their misgivings and again the workers produced more goods than ever before, exceeding their work of the previous year.

Last winter the Cleveland Hardware Company carried its experiment one step further. There is a large steam hammer in the plant, which proved inadequate for the handling of all the work to be done. It was decided to install another hammer of similar type. While it was being installed the work was piling up and the men proposed that they work in shifts of six hours each, instead of eight. Only two men are employed on the hammer, so it was not an extensive experiment. It is interesting to note, however, that after taking two hours more from their working day, each team of men working six hours

so greatly increased their efficiency that they were able to turn out very nearly as great a product in six hours as they had formerly done in eight.

From the men's point of view, the experiment was not entirely satisfactory, for on a piece-work basis their earnings were not quite as great as before. After the new hammer was installed, they went back to the eight-hour schedule. The experiment did show, however, that at least in that kind of work the maximum of human efficiency is to be expected in a working day somewhere between six and eight hours in length.

A similar experience has been that of the Commonwealth Steel Company, in an industry where it had not been supposed that the eight-hour day would lead to an increased output.

At the Cloth Craft Shops of the Joseph and Feiss Company in Cleveland, the standard working day is eight hours, and the weekly hours up to January, 1917, were forty-four. At that time the management proposed to the employes that the shop shut down on Saturday altogether, and that the four hours formerly worked on Saturday be distributed through the other five days of the week. The idea was based on the known fact that the employes—or at any rate the girls, who are in the majority—frequently do housework in addition to their work in the factory and are, consequently, under an added physical strain. Some, even if they have no general housework to do, make their own clothes or do their own laundry work. It was believed under the circumstances that two full days of freedom from the factory would react favorably on individual efficiency in the shop.

The result has more than justified the expectation. It was not long before the workers were accomplishing as much in five days as they formerly did in five and one-half, and doing it within the eight-hour limit, too. Advantage can now be taken of the week-end as never before. Some of the employes go to the country on Friday night and return refreshed and invigorated late Sunday afternoon.

That the movement toward an eight-hour day, and generally toward shorter hours of labor, is gathering headway and will continue on purely economic grounds, is indicated not only by the trend in the past months but by other evidences at hand. There is no industry where long hours of labor have more persistently been maintained than in steel-making. Yet I was told by a steel manufacturer last summer that he is convinced

of the effectiveness of the eight-hour day, and that the only reason why he does not now install it is that he does not know where he could get the extra men. He told me that as soon as the war is over and men are easier to get, he will put in three shifts of men throughout the plant in place of the two-shift system now prevailing.

It is altogether likely now that the understanding of the necessity and value of the eight-hour day has become so general, that the movement will go of its own weight. But there are certain forces that will accelerate its movement. The unions stand as a unit for the eight-hour day. They mean to have it by whatever route it may come. In the past, the unions have been opposed to legislation for the shorter work day. Samuel Gompers has strenuously opposed it. The eight hours must come by union activity—by collective bargaining, not by law. Three times has a convention of the American Federation of Labor voted down a resolution favoring legislation as a means of securing eight hours. The radicals and the westerners were for it, the conservatives and the easterners were against. But of late a change seems to have come about. Mr. Gompers worked hard for the passage of the Adamson law, to give the eight-hour day to the train crews. In neither of the last two conventions of the American Federation of Labor was the issue directly raised, but resolutions were adopted without debate that seemed to indicate a shifting from the traditional position.

And now, within a month, the New York State Federation of Labor has adopted a resolution favoring legislation not only for an eight-hour day but for a Saturday half-holiday.

With this shifting of the point of view of the unions, the new attitude of the courts on this question becomes of greater importance. For a dozen years, after the adverse decision in the *Lochner* case involving a ten-hour law for bakers in New York, it had been assumed that a law fixing a limit on the hours of labor of grown men would be unconstitutional. Mississippi was the first to challenge the bugaboo. A ten-hour law was passed there a few years ago. It went to the Supreme Court of the state and the law was sustained in a decision which laid down the principle of the "inalienable right to rest." This was encouraging, but the question remained in doubt, nevertheless, until last year, when the Supreme Court of the United States in the case of *Bunting vs. Oregon*, definitely affirmed the right of a state to regulate hours of labor for men.

If the unions want to go ahead, then, and get eight-hour laws passed, they will not find the courts standing in the way. It is probable, though, that they will continue to make their gains, for the most part, through economic rather than legislative methods. But no matter which road they choose, the movement will be hastened by a constantly increasing weight of evidence of the wisdom of the eight-hour day. It is this weight of evidence which has not only enlisted on their side the greater part of the enlightened public, but is rapidly bringing into line the employers too.

MAXIMUM VS. MINIMUM HOUR LEGISLATION¹

There is obviously the greatest possible need for immediate action on the part of the Government to deal with the hours question on a national basis. Otherwise every trade in the country will certainly have its own dispute on the question, and the settlement of all these disputes will take a very long time and will indefinitely postpone the reorganization of industry. In face of the urgent demand of labor, something has to be done—and done at once. The big manufacturing and employing interests have met and passed a strong resolution urging the Government to do nothing to grant the demands that are being made until a full inquiry has reported on the ability of British industry to bear the shorter hours demand. In view of labor's very definite attitude, such resolutions are hardly helpful. A settlement must be reached soon, and it is the height of folly to attempt to postpone it to the distant future.

The main motives that have led to so urgent a demand on the part of labor are two-fold. Much the most important motive is the obvious one—the claim for more adequate leisure and a better chance to lead a pleasant and reasonable life. The demand for shorter hours is essentially a human demand, and one which must be met on human grounds. The overwork of war-time, which was itself but a continuation of the overwork of pre-war times, will not be allowed to continue any longer; and, in their determination to abolish it, the workers have been immensely strengthened by the revelation of our immense productive capacity which the war has furnished. It has also, of

¹ From an article by G. D. H. Cole. *New Republic*. 18:247-9. March 22, 1919.

course, been reinforced by the spectacle of war profiteering, and is now being stimulated further by the astonishing activity of the Government in divesting the nation of its industrial property, and restoring to the full every form of private profiteering which it had been compelled by war-time necessities to restrain. The workers are sure—far surer than they have ever been—that there is wealth enough for everybody, given a just distribution of the national product, and given also a reasonable ordering of production.

Far behind the human motive in ultimate importance, but still a very material factor in the present situation, is the fear of unemployment and its effects, and a desire to secure the speedy absorption into industry both of the returning soldiers and of the war workers who are suffering discharge. The strength of this second motive varies very greatly from case to case. It is exceptionally strong in the mining industry, where great difficulty has already been experienced in absorbing the men returning from the army without displacing those already at work—a difficulty which has already led to several local strikes of importance. It is also important in the engineering and woodworking trades, which are bearing the brunt of war discharge, and also, strangely enough, in the building industry, which, thanks to the apathy of the Government, still shows no immediate sign of revival, despite the appalling shortage of houses. On the other hand, it naturally counts for little on the railways where every available man is still required.

There is in some quarters, especially among economists, a tendency to sneer at this motive, and to point out that it is "unsound economically" to reduce hours of labor in order to provide for the unemployed. The alternative, we are told, is the provision of work. This argument would be sound only if two conditions were fulfilled: first, if the prevailing hours of labor were already short enough; and secondly, if the Government had made in advance its preparations for the provision of alternative work. As neither of these conditions is fulfilled, surely the workers are fully justified in pressing for the immediate adoption of the shorter hours which they would in any case demand, and in using as an auxiliary argument the need for absorbing the unemployed.

What, it will be asked, ought the Government of the United Kingdom to do in face of the present situation? I believe that

it ought at once to announce and put into operation a comprehensive scheme for dealing with unemployment. But it ought to do more than this. It ought to tackle the whole hours question on a comprehensive basis, and to do for the industries of the country as a whole what it did under pressure for the miners some years before the war. The time is ripe for a universal Eight Hours act, applicable to all trades and callings, and including, of course, special provisions dealing with the hours of child labor. It would not be possible to settle details in such a measure; but, given the general principles and their intended application to weekly and daily employment, the various trades could readily work out the details for themselves. An Eight Hours act could, of course, only prescribe a maximum day: it would not prevent the miners, or any other industry having special conditions, from pressing for a lower maximum of hours; but it would bring order out of the present chaos of conflicting demands and provide general principles in which the various claims could be argued out. That would be an inestimable advantage, and may well be the only way of avoiding chaos.

The hours question has come to a head first in the United Kingdom; but it is, of course, far from being a merely national issue. The problem of the international regulation of the hours of labor forms one of the principal questions which will have to be dealt with by the Peace Conference, and the solution arrived at will have to be incorporated in the proposed International Labor charter. Moreover, it is more than probable that the hours question will be the principal factor in the industrial demands of labor in almost all civilized countries. There are already signs enough that it is in the forefront of labor's claims in other countries besides the United Kingdom. The lead which is now being given by organized labor in the United Kingdom will be followed up elsewhere; and if the British Government gives a lead in meeting that demand, its action also will be of international consequences. Among purely industrial labor questions, the hours question is at the present time by far the most important, and its importance is significant of the human character of the new demands of labor—of the insistence on the right not only to reasonable remuneration for work done, but also to reasonable leisure as an essential part of a reasonable "standard of living."

THE SIX HOUR DAY¹*The Hours of Labor*

There is a point I would like to touch upon, and that is the hours of labor. I promulgated a scheme which was called a six-hour working day, and it has very often given the impression—and I, myself, of all people in the world, cannot tell how it came about,—that I was advocating something that would add to the cost of production, that would limit production and that would generally bring on the downfall of industries in any firm or country that adopted it.

On the contrary, my ideal is exactly the opposite. I do not know what the hours of work in this country were a century ago. I know what they were in my own country, unhappily. At the beginning of the nineteenth century men worked for fourteen hours a day, and women worked beside them the same number of hours, and down in the mines women had to work, and children of nine years of age. They had to toil down in the mines, and even children of six years of age worked in the cotton mills. The employers of those days said that any shortening of the hours, any restriction or limitation on woman labor or child labor, would be ruinous to the industry.

You have only got to search through the debates in the British Parliament, as I have done, to find that that was the cry of the opposition. There were one or two fine spirits who opposed that sort of thing and who tried a reduction from fourteen to twelve hours, and were able to stay and to demonstrate that, instead of a reduced output, they got an increased output, that the human being produced more in twelve hours than in fourteen. Then, from twelve hours, which was the first limitation we had in England, the hours were limited to ten.

That was some sixty years ago, when ten hours was made a days' work for a workman. Women were limited as to the occupations they could enter, and the age for child labor was raised to thirteen years. And again the industry became more prosperous; not only so, but the employers became more prosperous. Everybody became more prosperous.

The Eight-Hour Day

We are now up against this problem. We have had an eight hours' day for many years in England. The eight hours' day re-

¹ From an address by Lord Leverhulme before the Boston Chamber of Commerce November 25, 1919.

sults in this, that men and women enter our industry, at monotonous occupations, at lathe, loom or bench, at fourteen years of age, and, if their physical strength holds out, continue until they are seventy, when they are entitled to an old age pension of very meagre dimension. They must toil in factory and work shop during all the hours of the day that are comprised in those eight hours.

Saturday afternoon has always been a holiday with us, for over sixty years. Therefore, the number of hours of work, as a rule, has been the nine hours or eight and one-half hours on every day except Saturday, and on Saturday the employees work in the forenoon and have the afternoon off, making forty-eight hours of work in the week.

Petition From the Girls

What was the result? I will tell you how my attention was called to this matter. It was through a little petition sent to me from the work girls in the factory, saying that since the hours for the closing of the shops had been altered in Liverpool they had no opportunity to do their shopping on Saturday.

The shops also closed in London on Saturday afternoons at one o'clock, and the girls, therefore, found that they had no time for shopping. They asked if they might have an opportunity to do their shopping, and I want to show you how reasonable the request they made was. It was nothing of a terrifying nature, but was a perfectly reasonable request. They simply asked that they might have one afternoon off in the month to do their shopping.

It set me to thinking, and it seemed to me that we could, by a little change in our organization, so increase our output, reduce our cost and at the same time reduce the hours of labor, that both men and girls could have one morning or afternoon off, not in a month, but in alternate weeks, with benefit to themselves.

Where It Will Work

Of course, I want you to understand the limitations of this proposal. The limitations are these, that where the cost of production, of the interest and depreciation on machinery, interest on capital employed, salaries of the permanent staff, where these charges are equal to the weekly wage bill, you can apply it—that

is, in cases where you can reduce the cost, reduce the hours, increase the output, and consequently reduce the cost of the finished product.

Where, as in many industries, the interest on the capital employed, the interest on the cost of machinery and buildings, the rates and taxes, and all these outgoings which have to be incurred in any case, are less than the weekly wage bill, then at present, if that system were adopted, it would have to be adopted because of other reasons than reduced cost of production and increased output.

But, fortunately for the workmen in industries of the character of which I am speaking, where it is not possible to adopt it and still reduce the cost of production by increasing the output—the greatest example of which with us is farming—the health of the employee is not affected by the impossibility of reverting to a shorter working day. The man working on a farm has a variety of occupation.

The seasons afford him a variety, each day affords him a variety. But not so with the man in a monotonous engineering shop or a mill, or at the loom, nor a woman at these occupations. Therefore, in occupations where it is not possible to do this to-day it may be possible to do it tomorrow—as, for instance, in agriculture, when it employs more machinery and men become less and less and machines more. But in those occupations the health of the men is not suffering, nor the health of the women, as it is in our closed, confined, monotonous factories.

Put First Things First

So that we can complacently set ourselves to the task of dealing, first, with those people and those occupations where health is affected. Why common humanity demands that we should commence in that way.

Our care for the health of our citizens demands that we should begin in that way; and later on, I am convinced, as in connection with all these works, appetite grows with what it feeds on, and that when we have got a thoroughly organized system of two shifts each day, six hours each, in our foundries and factories, with an output increased thereby by fifty per cent in a 72-hours' week instead of the 48-hours' week, with these fixed charges of interest, depreciation, and so on, divided over an output fifty per cent greater, when we have got that working smoothly we shall find that it will be having its effect on these other industries.

THE SIX HOURS DAY¹

What the workers are asking for is more life and liberty, a fuller and a freer satisfaction of their needs as human beings. Of course, they want for this a larger share of the wealth they produce. But they recognize that war is not a wealth-producer, and in their present wage demands they are rarely asking for more than a return to their pre-war standard of subsistence. This moderation serves to bring out into strong relief the general demand for shorter hours. The forty-hours' week, or even the six-hours' day, has suddenly won its way to the front place in the demands of labor. The eight-hours' day took a generation of crying in the wilderness before it entered the practical politics of industry, and gradually crept into the standard of a few strong and favored trades. But this new demand is not simply a next step. It is a definite new challenge to our industrial order. For it is not based upon the old economic contention that workers have hitherto been wastefully employed, in that they are able and willing to put out the same amount of productive power in a shorter as in a longer working day. No doubt it is sometimes urged that just as an eight-hours' day was found as advantageous as a ten-hours' day from the standpoint of output, so a further reduction of hours may be similarly found almost costless. But this is not the real contention of the advocates of the six-hours' day. They do not pretend that speeding-up will, or ought to, compensate for the loss of hours. They say that is not their concern. What they are after is liberation from the machine. They want more time and energy to live their own lives and take their part in whatever life can bring.

For what, after all, is the free life of a worker after the full factory day, or even the eight-hours day, which means at least a nine-hours' day in the works, the pit, or on the railway? Week in, week out, it is a too heavy tax upon the body and the mind of all but the strongest. It exhausts the nervous energy, stamps its mechanical routine upon the soul, and disables its victims for any beneficial use of leisure. There is much dull, heavy, and uninteresting, even dangerous, work that has to be done. Workers do not refuse to do it. But they insist that it shall be reduced to such time and other conditions as shall not stamp its nature upon theirs. It is not enough that there shall be a bare margin of free time to recover from exhaustion before the next

¹ Nation (London). March 8, 1919. p. 671-2.

day's work begins. What is wanted is so wide a margin as to reduce mechanical servitude to a subordinate place in their lives. If it takes a full quarter of their hours, that suffices.

This does not signify a life of idleness, or even dissipation, as middle-class moralists sometimes suggest. A little leisure is a dangerous thing, especially the leisure of physical and nervous exhaustion. It is upon a large leisure that the hopes of humanity rest, a leisure large enough to provide for every man the opportunity to cultivate his human tastes and aptitudes. This does not mean that less wealth will be produced, if wealth be taken in its true meaning; for health, family life, education, reading, art, recreation, would far more than compensate some loss in material output.

But must material output suffer? Must the nation pay for more leisure by any reduction of the economic product? This challenging question is met by one of our most successful men of business, Lord Leverhulme, with a triumphant negative. The opening part of his interesting volume, "The Six-Hours' Day", sets forth the case of this great reform, basing it upon the machine-economy. Machinery, instead of the tyrant, is to be the liberator and the friend of the worker. It is to increase his wages and to make him moral and intelligent.

The modern machine knows nothing of religion or moral laws, yet it is one of the greatest religious and moral teachers the world has produced in modern times. However far and wide we extend mechanical abilities and machine power, we come finally to the necessity of providing intelligent and careful men for their control and running. Machines cannot run alone, and workmen of skill, high character and moral conduct are essential to successful control." "All the tendencies of the greater use of machinery are in the direction of improving man.

It might, perhaps, appear that man could not have too much of this benevolent and moralizing influence. But one of the greatest boons this universal benefactor is able to bestow is leisure. For there are two important characteristics of modern machinery; it is extremely expensive, and it can work all day without tiring. Therefore, the costlier the machine, the more important to make it work long hours. But since no man can here keep pace with the machine, you must set two, three, or even four men, in relays to do it. At present, a great deal of more expensive plant is only utilized for eight or nine hours a day, and the product is what a single shift of overworked men or women can get out of it in that time.

Wherefore this waste? "We must have a six-hours' working day for men and women, and by means of six-hour shifts

we must work our machinery twelve, eighteen, or even twenty-four hours." This can be done, without reduction of wages on the shorter day, in all industries where the cost of production in overhead charges is as great or greater than the cost of wages. This is Lord Leverhulme's contention. The cost of the shorter day can be recouped in great part by this greater volume got out of the plant. Since in most well-equipped factories and workshops to-day the cost in overhead charges is at least double the cost in wages, this economy is immediately applicable to these great sections of industry. To less advanced industries, and to such occupations as agriculture, it cannot at once be fully applied. But as labor-saving machinery advances in these backward industries, so the same economy will apply. Of course, if it were to turn out that the worker produced as large an output in the six as in the eight hours, the problem would be greatly simplified, for the reform would cost nothing, and the fuller utilization of the plant would be pure gain, going in higher wages, bigger profits, or lower prices, according to the forces controlling distribution.

Lord Leverhulme cites a good deal of evidence to show that a shortening of the work-day is not attended by a reduction of output. But most of this evidence is in experiments of shortening the full factory day, and only one or two cases go so far as to support the view that a reduction from eight to six hours would be attended by no loss of output. It is obvious that some limit to the economy of shorter hours must exist, and it is probable that men will not turn out quite so much in a six as in an eight-hours' day. But, then, they haven't got to is Lord Leverhulme's contention, provided that the machine-economy makes up the loss. After the war, it will be particularly important to work our existing buildings and plant more fully because additional fixed capital will not for some time be procurable. On the other hand, there will be abundance of spare labor to fill up a two or three shift system. The millions of men and women released from the fighting forces and from Government work of various kinds can only find lucrative employment by some such expansion in demand for labor.

The chief objection Lord Leverhulme feels called upon to meet is the embarrassment of so much riches, *i.e.*, the question of disposing of so large an increase of output as would be got by his double or treble shift system. But the difficulty is not serious. For, if the worker got as much money on a six as on

an eight-hours' shift, and millions more workers were brought into employment, the purchasing power of the working classes would be so increased that they themselves would furnish most of the enlarged demand, while the reduced cost per unit of the output would enable the expanding foreign markets to take off the residue. Economists might, perhaps, reasonably question whether, with rising wages, cost would be so reduced. But we are disposed to think that Lord Leverhulme's main thesis is strong and fruitful. The great problem before us is how to reduce the proportion of human to non-human physical energy in the production of material wealth. And it is clearly in the main a problem of intelligent organization of existing and available resources. We want more wealth with less toil. We must reorganize our pre-war system of industry, if the problem is to be solved. The powerful instinctive demand for shorter hours will compel the most conservative and unenlightened employers to make their business interests square with the plain dictates of humanity.

For business men can think, when they are put to it. The imperfections of most human arrangements are so great and numerous as to admit quite easily of large improvements when those responsible are pricked by the spur of necessity. This is why the workers are so obtuse to the argument that such and such a new demand must raise prices, ruin the trade, and then where will the workers be? They know that thought and contrivance have in the past found a sufficient loophole of escape from ruin, and they have enough confidence in the brains and resourcefulness of the employers to believe that if they have to put up with a six-hours' day without reduced pay, they will somehow manage to foot the bill, and leave a margin of profit.

(b) NIGHT WORK

THE BAKING TRADE¹

The Report on Night Work

The Committee appointed by the Minister of Labour in April last "to inquire into the practice of night work in the bread baking and flour confectionery trade, and to report whether it

¹ From *The Month's Work*. (British Ministry of Labour) 2:33. August, 1919.

is desirable in the interests of those engaged in the trade and of the community that the practice should be abolished or modified," have now presented a report, recommending the abolition of night work after an interval. The Committee sat on 23 occasions between 24th April and 4th July, 1919, heard 65 witnesses, and considered written evidence.

The report commenced with a survey showing the extent of night work in normal times, and sketched the history of the agitation against night work by referring to the resolutions passed by the Trade Union Congresses and the attempts made to abolish it by legislation since 1848. These attempts were unsuccessful. One effect of the Bread Order, 1917, which was introduced to secure economy in the consumption of cereals by prohibiting the sale of "new" bread, was, however, as a side issue to modify night work very considerably. In the opinion of the Committee the removal of the Bread Order would not result in the re-introduction of night work to such a degree as it had existed before the Order, because agreements have been made between Trade Unions and Employers' Associations abolishing night work in various districts.

The case put forward by the employers was that night work was necessary in many districts in order to meet the legitimate demand of the public for fresh bread, and to ensure its delivery during ordinary business hours. This was specially the case with large wholesale bakers whose delivery was spread over a large area. The operatives, on the other hand, stated that night work was detrimental to health, that it interfered with the normal and social life of the workpeople, and that in any case it was unnecessary, as the public could be supplied with fresh bread under a day work system.

The Committee decided that there was no justification for the continuation of night work in the Baking Trade, and they recommended that legislation should be introduced prohibiting the employment of men in bakehouses between the hours of 11 p.m. and 5 a.m., except in the cases of doughmen and firemen. Certain further exceptions were also provided for, including one night per week to cope with the week-end trade; exemptions not exceeding ten nights in the year to provide for public holidays; for a certain stated period in towns doing a seasonal trade, or where there was a sudden influx of visitors; also in the event of a breakdown; or during the repair of plant, etc. The operation of the proposed Act would not extend to bakers working

on their own, and employing no labour, unless it can be shown that bakers employing labour are put at a disadvantage by their competition.

In order to allow the Trade to adjust itself to these conditions, it is recommended that they should not come into operation until two years from the passing of the Act, but it was suggested that the Principal Secretary of State should have power to make an order applying local agreements in any district without delay.

The Report recommended also that provision should be made to enable leaseholders to make alterations to premises and plant rendered necessary by the change from night to day baking, if lessors should refuse consent.

TENURE OF EMPLOYMENT

A DISMISSAL WAGE: TWO WEEK'S EXTRA PAY¹

A Safety Check on the Dangers of Rapid Firing

In a mature and humane civilization great importance is attached to the economic security of the individual. As the civil service develops, the public employee is protected in various ways against abrupt and arbitrary dismissal. In universities it is customary to notify the instructor a considerable time in advance of the termination of his employment. The professor is usually given a year's notice or else his salary is continued for at least a half year after his services are dispensed with. School boards, hospitals, churches and non-gainful organizations generally feel that it is indecent to cut off a faithful servant without giving him a reasonable time to look around for another place. Even from private employers, professional men are usually able to secure an agreement not to end relations without a month or more of notice.

On the other hand, the common practice of American industrial employers is really amazing in its lack of consideration for the worker found superfluous. No doubt many firms take a pride in building up and maintaining a stable labor force and give serious attention to the plight of the men they have to drop. But the average employer seems to give himself not the slightest concern as to what is to become of the worker let out thru no fault of his own. I have heard of a firm long aware of the necessity of curtailment waiting till half an hour before the evening whistle blew to post a notice throwing hundreds of men out of a job for an indefinite time! Since Americans are not generally inhumane, the barbarous "firing" policy so characteristic of our industries can be accounted for only as a survival from the time of the small concern when the competent work-

¹ By Edward A. Ross, Professor of Sociology, University of Wisconsin. Independent. 97:365-6, 384. March 15, 1919.

man dismissed could walk around the corner and get a job just as good. That such is not the case today may be learned by simply interviewing workingmen as to what loss of job has meant to them. What tales of tramping the streets looking for work, of rushing hither and thither on a rumor that this firm or that is taking on men, of returning night after night worn out and discouraged to an anxious family, of the frantic cutting down of household expenses, the begging of credit from butcher and grocer, the borrowing of small sums from one's cronies, the shattering of hopeful plans for the children! Here are real tragedies, hundreds, nay thousands, of them a year in our larger centers, yet the general public goes its way quite unconscious! No wonder among wage-earners the bitter saying runs, "A workingman is a fool to have a wife and kids."

What of the far greater number who are employed continuously but who are always worrying lest they lose their jobs without warning? From conversation with wage-earners one gathers that fear of finding a blue slip in the pay envelope really poisons life for multitudes. So long as many employing concerns move in the present ruthless inscrutable way, not deigning to give their men any advance hint of what will happen to them, there will be resentment and unrest in the ranks of labor, no matter how reasonable the hours and pay.

The tragedy in the situation of the wage-earner in the modern industrial organization has been his *insecurity*. Step by step we have lessened this. Mechanics' lien laws did away with the risk of losing his pay, postal savings banks with the risk of losing his savings, "safety first" with the risk of preventable industrial accidents, accident compensation with the risk of losing livelihood by injury in his work, pensions with the risk of a destitute old age. The chief insecurity which remains is that of losing one's job. How can we lessen that?

There is no virtue in the suggestion that the law should require either party to give a fortnight's notice before terminating relations. The workman who has received notice will be of little use the ensuing two weeks and the average employer would prefer to make him a present of his wages and let him go. On the other hand if the workmen were obliged to give notice two weeks before quitting they would lose their sharpest weapon—the sudden strike.

The true policy is to establish for the workman who has been with the employer long enough to establish the presumption that

he is of value—say six months—the legal right to receive a fortnight's free wages when he is dismissed without fault on his part. This would give him two weeks to look about and find himself another job. Even if he has nothing saved up and no credit it would be a month or more before his family came into acute distress. There are few competent men who cannot find a job in a month unless times are hard and during hard times their resources will be an altogether different provision, viz., unemployment insurance. Still more important, however, is the consideration that the man who has made good on the job and continues to make good would be relieved of the haunting fear of offhand dismissal. It will not pay his employer to fire him for frivolous reasons and if business is slack the men let out will be men recently taken on, who have not yet established the right to the dismissal wage.

The dismissal wage should not be looked upon as something held back out of wages which a man will never get unless he is "fired." It should be regarded in the light of the "compensation for disturbance" which some countries allow the evicted tenant who has farmed the land well.

Of course the man who "fires himself" by persistent negligence or misconduct should get no dismissal wage, and since an unscrupulous employer might charge fault when there is none, there will have to be local boards to hear complaints on this score.

The employee who quits of his own free will to take a better job or do something else has no claim. But since such an employee might "soldier" or grow careless just in order to get himself "fired" the employer must have the right to escape paying him a dismissal wage by proving to the local board that he is "soldiering." As a matter of fact no workman could afford to get the reputation among employers of being that kind of a man.

Until we have accident, sickness and old age insurance, incompetency arising from accident, sickness or old age would not, of course, release the employer from the obligation to pay a dismissal wage. The dismissal wage might be combined with a system of unemployment insurance by providing that the unemployment allowance should not begin until the end of the term for which free wages is paid.

The legal dismissal wage should not become involved with strikes and lockouts. Let the rule be that the striker has not

relinquished his job any more than the man who has been absent on account of sickness. When the man resumes his job—whether on his terms or on the employer's—he has whatever rights he had when he struck. Only in case he applies for his job and is refused is he entitled to a dismissal wage. If he never applies, he gets nothing.

Let the lockout be looked upon as if it were a temporary stoppage owing to a fire or a dearth of fuel or raw material. When the men are taken on again all is as before. If they stay away they get nothing. If they are refused their old jobs they get the dismissal wage.

If the employer goes bankrupt his men's dismissal wages constitute precisely the same kind of claim on his assets as their back wages.

Since an employer could always avoid dismissing a man by cutting his wages to so low a point that the man would quit of his own accord, the cutting of a competent workman's pay below the "going" wage for the time and place should be construed as dismissal. Likewise when an employee without fault is reduced to a lower position in the works or is shifted permanently to harder or more onerous work the workman should have the option of staying on or claiming dismissal pay and leaving.

What of "lay off" when, on account of slack business, the men dismissed are not replaced? Instead of dismissing men, let the employer cut down hours uniformly in the shop and not until he cuts them below half time shall the men have the option of staying or of taking their dismissal wage and leaving. When a man is laid off because there is not enough work to keep him busy but the job is supposed to be held open to him, let the dismissal wage payment be strung out thru six weeks. If the employer has him back sooner he saves himself something.

A board to decide all such questions should be created in each industrial community. One member should represent employees, another employers and the third should be named by the State Industrial Commission.

How would the legal dismissal wage affect employers?

The obligation to pay a dismissal wage would give such employers a motive to make their practice conform to that of those thoughtful and humane employers who have brought their annual turnover in some cases down to 30 per cent with profit to themselves and contentment to their employees. They would

find it paid to give attention to human engineering, to install employment managers who investigate why an employee is doing badly and find a way to remove the cause. Before letting a man go with a fortnight's free wages they would try him out in different positions or departments in the hope of finding the right place for him, or would even provide him with the instruction which would enable him to make good on the job. In time of slack business they would put their men on part time rather than turn some of them off.

Just as the burden of accident compensation sinks to the minimum in the case of the employer who takes the most pains and goes to the most expense to eliminate accidents from his mill, so the burden of a legal dismissal wage will be least on the employer who picks his men most carefully, tries them out most speedily and gives the most care to building up a permanent labor force. By providing the worker with an added inducement to keep a good job and the employer with an added inducement to keep a good man, it would tend to stabilize American industry and favor the survival of the types of employer and worker society ought most to encourage.

UNEMPLOYMENT AND HEALTH INSURANCE¹

Unemployment is the only purely industrial hazard. It is far and away the most disastrously costly of all hazards. It is the one about which we know least and in regard to which we have done almost nothing. The people of the United States have given almost no attention to the business of directing workmen to employment. We have done nothing at all to furnish employment to the unemployed in dull times on public works, highways, harbor improvements, public buildings, and other construction work for the community. Yet such work has to be done, and it is perfectly practicable to arrange to have these works constructed during dull seasons and in times of depression, so as to relieve the stress of slack work and unemployment in such periods. The policy of pushing public construction work during the dull season and in times of depression is no new proposition. The experiment has been tried

¹ From an address by Royal Meeker, U. S. Commissioner of Labor Statistics. Prepared for the convention of the Association of Governmental Labor Officials of the United States and Canada, Madison, Wis. June 2-4, 1919.

abroad and has worked successfully. In this country, however, when unemployed workmen have clamored for work, we have pointed out to them our stupendous resources, our marvelous economic genius, the majestic magnitude of our industries, and the tremendous velocity of our progress, and we have said, "No man who really wants work need be idle." Long sophomoric essays have been written to prove that the only idle people in our unprecedentedly prosperous country are those who will not work. How otherwise could be explained the numbers of idle men and women in the midst of our plenteous prosperity? In recent years we have begun to distrust this simple explanation of unemployment. The laboring men and women of the country are insisting loudly upon their right to work and earn food, raiment, and shelter for their bodies, as a substitute for the privilege of receiving these indispensable goods as uncertain doles bestowed by the hands of professional philanthropists in the name of organized charity. Who can blame the workers for preferring wages above alms?

Our legislatures have been very slow to recognize the existence of unemployment in our country. When they have recognized it, they have made no attempt to measure its magnitude or deal with it intelligently or effectively. Our efforts to deal with unemployment are still mainly confined to handing out bread and soup indiscriminately to all comers. The Romans dispensed bread and circuses to their unemployed. We have substituted soup for circuses. That has been thus far our contribution toward the ultimate solution of the problem of unemployment. Whether we have improved upon the Roman formula for the treatment of the unemployed may be determined only by a careful statistical study of the relative merits of the Roman circus and of the American soup dispensed to the unemployed.

Some of the States and the Federal Government have set up systems of employment offices to bring together the "jobless man" and the "manless job." It has often been asserted that these offices can not create work for the unemployed. Their work, however, has exactly the same effect if they bring an unemployed man into a job that would have remained unoccupied without their efforts. A public employment office, even a very inefficient one, is a recognition on the part of the public of a solemn, tragic fact and of great fundamental principle—the fact of unemployment and the principle of public responsibility therefor. These public offices should be vigorously supported

by the people until they have driven all competing, profiteering private employment offices out of existence.

The unemployed who want work should be given the opportunity to do productive work through public employment offices; the unemployed who want to live and loaf at the expense of the industrious should be made to work on farm colonies and in penal institutions. The trouble with our public employment officers is the trouble which afflicts many if not most of our institutions. We have recognized the principle and defaulted in the interest. Our people are not willing to give of their time and effort to bring and keep the offices up to a high standard of efficiency.

The United States has no hereditary governing classes; the business of government falls upon the masses. Class government, of the classes, by the classes, and for the classes is relatively simple and easy to effect. There is nothing more difficult than to bring to pass mass government, of the people, by the people, and for the people. The American people are an ingenious and an ingenuous people. We have done more to substitute automatic machinery and devices for men and brains than any other people on earth. Whenever we see a man working at a steady job we want to devise a machine to take his place. We yearn for perpetual motion, social, political, economic, religious, spiritual, and physical. We want devices which, when once set going, will go on forever, requiring no further attention or intelligent effort on our part. We elect legislatures which enact statutes making it unlawful to do wrong, and we go on our way rejoicing. When the wrongdoers continue to do wrong, we set up a board or commission to put a stop to the wrongdoing. When the board or commission fails to work, we set up another automatic device to make it work, and so on.

But even if we had a complete and smoothly working national system of employment offices we would not have solved the problem of unemployment. Periodical, seasonal, and even weekly and diurnal irregularities in employment would exist. It is immensely more important that we smooth out the irregularities in employment than that we establish employment offices. Prevention is worth a thousand tons of cure. At first blush it might seem that every industry should be self-supporting, that is, every industry should pay at least a living annual wage—a wage sufficient to keep a worker and his family throughout the year, even though the industry should run for only a few

months in the year. This idea sounds attractive but it is impracticable. If we try to put it into effect the canning industries would be destroyed along with many other useful industries which operate for only a part of the year. It is, however, perfectly practicable to combine seasonal industries and industries having considerable irregularity in employment so as to make employment much more stable than at present. But even when employment is stabilized as far as possible, there will still exist recurrent unemployment.

Unemployment Insurance

How much unemployment there is to-day, nobody can say. What may be called "the irreducible minimum" of unemployment can not even be guessed at. No complete and accurate survey of the amount and significance of unemployment in this country has ever been made, and no funds have ever been appropriated by Congress to enable such a study to be undertaken although the importance of current information on this subject can scarcely be overemphasized. We shall never know the extent of unemployment until we have unemployment insurance. Heretofore I have opposed unemployment insurance on the ground that we have no adequate machinery to carry such insurance into effect. It seemed to me necessary that a very complete system of employment offices should be established before we ventured to enact unemployment insurance legislation. I have been driven to the conclusion, however, that unemployment insurance is absolutely necessary if for no other purpose than to secure a complete registration of all unemployed persons throughout the country. When we think of the disastrous consequences to the worker and to society resulting from unemployment, the millions of dollars necessary to carry into effect an unemployment insurance law seem a small price to pay for the information requisite for us to deal with this great evil.

The Department of Labor Statistics in Great Britain knows each week the number of unemployed in each industry throughout Great Britain and Ireland. This information is invaluable to the British Government in dealing with the tremendous problems of reconstruction and the reemployment of demobilized soldiers, sailors, and civilians. Had we been as deeply engaged in the war as Great Britain, our country to-day would be overwhelmed with disaster because of our inability to direct our industrial energies so as to absorb the enormous masses of

workers coming in part from our disbanding Army, but in the main, of course, from specialized munition factories. Even as it is, unemployment has reached very serious proportions in different sections of our country, and it will undoubtedly grow worse before it grows better. In the meantime, we know nothing quantitatively about unemployment. All we know is that it is serious in extent and unforetellable in its possible results.

I do not want to see an unemployment insurance law, modeled after the British act, enacted in this country. It is very clear to me that industry should be made as nearly self-supporting as possible. Unemployment is the one hazard that is purely industrial, and it causes more distress and social demoralization than any other hazard affecting the life and health of the workers. Yet nothing has been done about it by industry and next to nothing by society. The whole burden falls upon the individual worker except for the feeble, sporadic help given by a few trade-unions. Industry should be made to pay the costs of production. A part of the costs of production under the present organization of industry is unemployment tempered by underemployment and overemployment. It would be very simple to put the money costs of unemployment upon industries on an insurance plan. The premium rate would be lowest for the most stable industries and highest for those in which employment is regularly irregular.

The cost of organizing and conducting unemployment insurance must be put upon industries approximately in proportion to the extent of unemployment in each industry. For example, seasonal industries like tomato canning, fish canning, and the like, should pay a greater proportional part of the tax or premium for unemployment benefits than industries working the year round. In addition to unemployment insurance taxes or premiums, industry should be required to pay a "dismissal wage" to employees discharged for no fault of their own. It will require much careful thought and expert draftsmanship to shape up a measure that will hold water, but every thing that is worth doing at all is difficult.

I do not expect unemployment insurance legislation to be enacted immediately, but it is bound to come. It is remarkable that industries have not been held accountable or even connected with the only purely industrial hazard that we have. The attention of employers must be directed to the dangerous and

demoralizing effects of unemployment and the responsibility of industry therefor. When employers realize the dangers involved and their responsibilities we may trust to their patriotism and fair-mindedness to apply the proper remedy.

A PERMANENT PROGRAM FOR STABILIZING EMPLOYMENT IN NEW YORK STATE¹

The New York State Reconstruction Commission, under the chairmanship of Abram I. Elkus, submitted on June 17, 1919, a report to the Governor, suggesting the desirability of framing a permanent program for dealing with the problem of unemployment in the State, and making certain well-defined recommendations for developing and putting into effect such program. The commission found that "the chronic unemployment which exists in the State" independent of business conditions is attributable in the main to two factors (1) the physical impossibility, in the present industrial organization, of connecting workers with jobs without loss of time in the interim, and (2) the seasonal fluctuations in the demand for labor in the several industries. It was also found that in addition to these continuous and normal causes of unemployment there are variations in the demand for labor in one or another industry due to the incessant play of business conditions and to cyclical depressions of the whole industrial system, caused by fluctuations in gold and silver, misdirection of productive energy, underconsumption, excessive competition, etc.

While not condemning the private employment exchanges, which the commission admits have a mission to perform, as for instance in the case of schools, colleges, and business colleges which conduct employment bureaus for the benefit of their graduates, it is felt that for the great majority of employments the ideal condition will be attained only when the State system of exchanges becomes in effect the exclusive source of supply of labor. To this end it is believed the permanent legislative policy of the State should be carefully directed. The great problem to be worked out is to reduce to a minimum the loss of time which now results in connecting the worker and the job and this may be accomplished by establishing a system of

¹ Monthly Labor Review. U. S. Bureau of Labor Statistics. 9:245-8. November, 1919.

labor exchanges which would record in a single unified register every vacancy and every seeker for work. The commission feels that it is impossible to secure "even an approach to this condition under the system of competitive privately operated, fee-charging employment agencies" and that it must be done by a system of public employment offices established on an adequate basis. More vigorous supervision of private agencies is suggested; they should be licensed regardless of locality "and should be required to sign a penal bond, the license to be for a short period of time and to embody provision for the revocation or nonrenewal of the license in the event of improper conduct on the part of the licensee."

In connection with the development of a State employment system and the control and gradual supplanting of most of the private employment agencies, a condition which the commission believes would be brought about by the competition of the free public agencies, there are a number of problems suggested as needing careful study by the State industrial commission, with a view to working out a definite program. These are—

1. The organization of the labor market to bring about extensive dovetailing of winter and summer trades and to stimulate the use of subsidiary trades.
2. Directing labor to new occupations when changes of industrial structure result in displacement from chosen occupations.
3. Reserving certain places in industry for older men and women and leaving the younger generation the task of finding and forcing fresh openings for themselves.
4. Concentrating attention upon the need for industrial training, including "vestibule" or preliminary training, training in plants to increase efficiency while gainfully employed, and training in trade and business schools. This should be done with the State and local departments of education and with private educational institutions. An annual bulletin should be published, similar to that published by the Clearing House for War Time Training for Women, describing the courses of training in schools, trade schools, colleges, etc., for those seeking a vocational education.
5. Directing boys and girls away from "blind alley" employment, and issuing monthly bulletins based on the most complete figures which can be obtained.
6. Testing periodically and comprehensively the amount of unemployment.
7. In cases of seasonal employment or depression, urging employers to shorten hours rather than discharge employees.

The commission points out in some detail the difficult and somewhat unsatisfactory result which would appear to follow the adoption of a definite plan for State control of public works construction by which projects contemplated by the State or by municipalities might be so handled as to furnish employment to the largest possible number in times of industrial depression. It is at best a new and untried method of public works administra-

tion and finance, and the commission states that it has not felt justified in recommending its adoption as a means of ameliorating the severity of unemployment conditions.

For the present it would seem that the most that can practically be done is to impress upon the various State departments and the local authorities the desirability of planning public improvements upon a long-term basis, and to designate some authority in the State to keep currently in touch with the execution of the several local and State programs, with a view to urging upon the city, county, and State authorities, and where necessary, upon the State legislature, prompt action in pushing forward the work outlined with especial vigor whenever industrial depression threatens.

Along this line the commission recommends that—

(1) In the absence of a single recognized State public works director the legislature authorize and require the State industrial commission through the bureau of employment to obtain during the first three months of each year from the several State departments and localities information regarding all public works projected and under construction, and to publish this information annually in April in a summary form similar to that adopted this year by the reconstruction commission in its report to you on public improvements. (2) An informal body be set up consisting of representatives of the State departments principally concerned with public works including the State engineer, superintendent of public works, commissioner of highways, State architect and conservation commissioner, and of representatives of the State industrial commission, which shall study the data thus obtained in conjunction with the data regarding employment and business conditions currently gathered by the State industrial commission and shall call in April or May an annual conference of all public works authorities throughout the State to discuss engineering, financial, employment, and other common problems and to endeavor by counsel and suggestion to effect the vigorous prosecution of all works already planned for and financed, and the prompt financing of works projected whenever severe business depression and unemployment threaten. At this conference arrangements should be made by the representatives of the bureau of employment with the various public works authorities whereby the bureau could be instrumental in supplying men to officials and contractors when work actually commences. Were such a board instituted, its operations over a period of a few years would disclose, more effectively than any speculation which may now be advanced by your commission, precisely what if anything may be accomplished by more positive and compulsory action of the State in securing an actual deferment of public works construction against periods of depression.

Even if such a plan were adopted and put into effect a certain amount of unemployment would still persist. Unemployment insurance has been suggested to remedy this situation, but the commission hesitates to recommend such a plan for New York State, at least until the State employment service is greatly extended to a point where it becomes practically a monopoly and is so efficient as to be capable of administering a law which involves complete supervision of all employment throughout the State.

Summary of Recommendations

The definite recommendations submitted to the governor by the commission on reconstruction are thus summarized in the report:

1. Continue to develop the State employment service looking toward an ultimate State monopoly in this field, excepting possibly a small number of union agencies and private agencies supplying service of a personal and professional character.

2. Revise and introduce the bill drawn up by the industrial commission providing for licensing at a fee of \$250 of all private employment agencies. The State industrial commission should license all agencies excepting those in first class cities. In such cities the licensing should be done locally, but the State should divide all fees equally with the cities. The State's fees should go into a fund for support of the bureau of employment.

3. Enforce the present State law providing for the maintenance of standard registers and the submission of figures by private employment agencies, extend the supervision of private employment agencies, and draw up legislation opening the books of private exchanges to audit by the State bureau of employment.

4. Direct the industrial commissioner, through the bureau of employment, to develop a program which should cover the following subjects:

(a) The organization of the labor market to bring about extensive dovetailing of winter and summer trades and to stimulate the use of subsidiary trades.

(b) Directing labor to new occupations when changes of industrial structure result in displacement from chosen occupations.

(c) Reserving certain places in industry for the older men and women, and leaving the younger generation the task of finding and forcing fresh openings for themselves.

(d) Concentrating attention upon the need for industrial training, including "vestibule" training where such training does not lead to blind-alley employment, training in plants to increase efficiency while gainfully employed, and training in trade and business schools. Issue in cooperation with the State and city departments of education annual bulletins outlining the courses of training in schools for all schools, colleges, etc., open to persons seeking vocational education.

(e) Directing boys and girls away from "blind-alley" employment.

(f) Testing periodically and comprehensively the amount of unemployment and publishing bulletins based on the most complete figures which can be obtained.

(g) In cases of seasonal employment or depression, urging employers to shorten hours rather than discharge employees.

5. Authorize and require the State industrial commission through the bureau of employment to obtain during the first three months of each year from the several State departments and localities current information regarding all public works projected and under construction and to publish this information annually in April in summary form.

6. Appoint an informal committee composed of representatives of the State departments principally concerned with public improvements and of the State industrial commission to study data thus obtained in conjunction with data regarding employment and business conditions currently gathered by the State industrial commission, and to call in April or May an annual conference of all public works authorities throughout the State to discuss engineering, financial, employment, and other common problems. This committee should vigorously prosecute all public improvements whenever business depression and unemployment threaten, and report upon the need, if any, of compulsory action to secure the deferment of public works and the establishment of public works reserves.

TRADE UNIONISM

PROPORTION OF THE ORGANIZED¹

What is the Percentage of the Organized Workers in the Organizable Occupations of the United States?

The latest census gives the number of persons "in gainful occupations" as:

Males	30,000,000
Females	8,000,000
Total	38,000,000

This total was thus classified:

		Pct.
Agriculture	12,650,000	33.2
Domestic and General Service	3,770,000	9.9
Professional Service	1,700,000	4.4
Public Service	460,000	1.2
Clerical Service	1,700,000	4.6
Trade	3,600,000	9.5
Total	23,900,000	62.8
Extracting Minerals	965,000	
Manufacturing and Mechanical Work	10,658,000	
Transportation	2,637,000	
Total	14,100,000	37.2
Grand Total	38,000,000	100

In no country are workers of the first group (23,900,000) organized to any extent in trade unions.

In the second group (14,100,000) besides wage workers there are employers big and little, the higher salaried employees, young persons learning trades, unskilled, unassimilated foreigners, craftsmen in small industries or in non-industrial communities and numerous persons self-employed. Only estimates can be

¹ From the Amalgamated Journal.—Iron, Steel and Tin Workers, Pittsburgh, Pa. November, 1919.

formed for the numbers in these classifications, which either have interests apart from those of the wage workers or in all countries are unorganizable.

Number of organizable men and women in industry in this country is 8,000,000. The American Federation of Labor and the railroad brotherhoods now count up 4,500,000. This would give 55 per cent. of the total 8,000,000 organizable organized. But if we have 7,000,000 instead of 8,000,000, the percentage of the organized becomes 63 (4,500,000 out of 7,000,000); and if 6,000,000, the percentage is 75 (4,500,000 out of 6,000,000).

But, come to the practical question. In any particular industrial contest between buyers and sellers of labor power the proportion of the organized to the unorganized in all the extent of America has little bearing. The outcome of any such struggle depends upon the number of the unorganized and unemployed who are qualified to work at the occupations affected and reachable within a practicable hiring area and willing to undermine union conditions. It is to be kept in mind that in every community masses of the unorganized are union sympathizers, showing themselves within the sphere of union influence whenever there is a strike. Statistics fail to enumerate these potential unionists.

The wage conflict being most active in industrial centers, the workers in them are in general thoroughly organized. The more highly skilled trades in many American communities have an effectiveness in unionized labor of 100 per cent.

In the light of the foregoing analysis of the census statistics the American trade unionists can certainly claim for industry 50 per cent. organized as it is to be kept in mind, too, that in the A. F. of L. statistics there are included neither the independent unions nor the I. W. W.

Under-rating the numerical strength of the American trade union movement is frequently accompanied by an over-rating of the British movement. A member of an American employers' commission was recently quoted in the London Times as saying: "While your workers are 85 per cent. organized in unions, the trade unions of the United States have only about 10 per cent. so organized," and the impression that the proportion given to Britain is a fact seems to prevail generally.

But the statistics for Britain do not show 85 per cent. of "the workers" organized. Far from it. Mr. H. G. Williams, in a carefully prepared paper read at the annual convention of the

British Industrial League in August last, estimated that in 1906 there were in the Kingdom 19,420,000 "occupied persons," of whom 1,000,000 were income tax payers, the remaining 18,420,000 having incomes under £160 (\$800) a year. For the latter the groupings were:

Agriculture	1,690,000
Domestic service	2,050,000
Commercial, professional	2,240,000
Persons working for themselves	3,920,000
Manufacturing trades	6,410,000
Railways	610,000
Mines and quarries	1,000,000
Casual labor	500,000
	18,420,000

The four classifications last named in the table number 8,520,000. If, as reported at the Derby Trade Union Congress in 1918, the number of British trade unionists was 4,500,000, and the foregoing table as a whole warrants an estimate of about 9,000,000 persons organizable, the proportion organized in Great Britain is somewhere about 50 per cent.

THE EMPLOYER'S VIEWPOINT¹

Representing as we do on this Commission, the employers' side, we are at one with the other members of our Federal Commission who represent the general public, and also with those representing organized labor, in believing that under modern industrial conditions, collective bargaining, when fairly and properly conducted, is conducive to the best good of the employer, the worker, and society. We find that there are many enlightened employers who concur in this view, who in the past recognized and dealt with organized labor, but who now refuse to do so, and who, under proper conditions, would willingly continue to engage in collective bargaining. With good cause, in our opinion, however, they place the responsibility for their refusing to do so at the door of organized labor. There is an abundance of available testimony in our records to show that

¹ From report of Harris Weinstock, S. Thurston Ballard, Richard H. Aishton, members of U.S. Commission on Industrial Relations, 1915.

many employers are frightened off from recognizing or dealing with organized labor for fear that to do so means to put their heads in the noose and to invite the probability of seriously injuring, if not ruining, their business.

The prime objection that such employers have to recognizing and dealing with organized labor is the fear of—

- (a) Sympathetic strikes.
- (b) Jurisdictional disputes.
- (c) Labor union politics.
- (d) Contract breaking.
- (e) Restriction of output.
- (f) Prohibition of the use of nonunion made tools and materials.
- (g) Closed shop.
- (h) Contests for supremacy between rival unions.
- (i) Acts of violence against nonunion workers and the properties of employers.
- (j) Apprenticeship rules.

While we have found many sinners among the ranks of the employers, the result of our investigation and inquiries forces upon us the fact that unionists also can not come into court with clean hands; that this is not a case where the saints are all on one side and the sinners all on the other. We find saints and sinners, many of them, on both sides.

The hope of future industrial peace must lie in both sides using their best endeavors to minimize the causes that lead to the growth of sins and sinners on each side of the question.

Sympathetic Strikes

Taking up *seriatim* the objections offered by many employers to recognizing and dealing with organized labor, we come first to that of the sympathetic strike. The employer contends, and we find ourselves in sympathy with his contention, that it is a rank injustice to subject him to a strike of his employees who have absolutely no grievances, to stop work because some other group of workers, possibly at a remote point, have a real or fancied grievance against their own employer, especially when such stoppage of work may not only inflict a very serious loss, but may mean ruin to the enterprise of the innocent employer, thus making it, in violation of all the equities, a clear case of punishing the many innocent for the one or the few who may be guilty, who were party to the original dispute.

Jurisdictional Disputes

The employer further points out that not only is his business liable to be ruined by the sympathetic strike, but, more especially in the building trades, is he likely to become an innocent victim of jurisdictional disputes for which he is in no wise responsible and over which he has absolutely no control.

Sidney and Beatrice Webb point out that—

It is no exaggeration to say that to the competition between overlapping unions is to be attributed about nine-tenths of the ineffectiveness of the trade union world.¹

Innumerable instances have occurred where jurisdictional strikes have lasted for months and sometimes for years.²

In 1910 the secretary of the bricklayers said:

Our disputes with the operative plasterers' union during the past year have taken thousands of dollars out of our international treasury for the purpose of protecting our interest. The loss in wages to our members has amounted to at least \$300,000. The loss to our employers has been up in the thousands, also.³

Sidney and Beatrice Webb again point out that in the industries of Tyneside, within a space of 35 months, there were 35 weeks in which one or the other of the four most important sections of workmen in the staple industry of the district, absolutely refused to work. This meant compulsory idleness of tens of thousands of men, the selling out of households, and the semistarvation of whole families totally unconcerned with the disputes, while it left the unions in a state of weakness from which it will take years to recover.

That wise and far-seeing labor leaders keenly appreciate the great wrongs inflicted not only upon the employers, but upon the workers themselves, by virtue of cessation of work in jurisdictional disputes, is emphasized by the following extracts from the report of Mr. Samuel Gompers, President of the American Federation of Labor, at its convention in 1902:

Beyond doubt, the greatest problem, the danger which above all others is threatening not only the success but the very existence of the American Federation of Labor, is the question of jurisdiction. Unless our affiliated national and international unions radically and soon change their course, we shall, at no distant date, be in the midst of an internecine contest unparalleled in any era of the industrial world, aye, not even when workmen of different trades were arrayed against each other behind barricades over the question of trade against trade. They naturally regard each other with hatred, and treat each other as mortal enemies.

There is scarcely an affiliated organization which is not engaged in a dispute with another organization (and in some cases, with several organizations) upon the question of jurisdiction. It is not an uncommon occurrence for an organization, and several have done so quite recently, to so

1—Industrial Democracy, vol. 1, p. 121.

2—The Bricklayer and Mason, Feb., 1911, p. 127.

change their laws and claims to jurisdiction as to cover trades never contemplated by the organizers, officers, or members; never comprehended by their titles, trades of which there is already in existence a national union. And this without a word of advice, counsel, or warning.

I submit that it is untenable and intolerable for an organization to attempt to ride rough-shod over and trample under foot rights and jurisdiction of a trade, the jurisdiction of which is already covered by an existing organization. This contention for jurisdiction has grown into such proportions, and is fought with such an intensity as to arouse many bitter feuds and trade wars. In many instances employers fairly inclined for organized labor are made innocently to suffer from causes entirely beyond their control.

Labor Union Politics

The third objection of employers to recognizing and dealing with organized labor is the risk they run, especially in the building trades, where power to declare a strike is concentrated in the hands of a business agent, of finding themselves at the mercy of either a corrupt business agent or one who, for the sake of union politics, is endeavoring, in order to perpetuate himself in office, to make capital at the expense of the innocent employer by making unwarranted and unreasonable demands against the employer.

Contract Breaking

The fourth reason offered by the employers for refusing to recognize or to deal with organized labor, is its increasing unreliability in keeping trade agreements. To give one case in point, our record gives the story, in undisputed statement published in the *United Mine Workers' Journal*, which is the official organ of the United Mine Workers of America, written by Mr. W. O. Smith, ex-Chairman of the Executive Committee of the Kentucky District of United Mine Workers of America, in which Mr. Smith, among other things, says:

Because of the indifference of the conservative members of our unions, and the activity of the radical element which is responsible for the greatest menace which has ever threatened the United Mine Workers of America, the local strike, during the past two or three years the international, as well as the district and subdistrict officials, have been confronted with many perplexing problems, some of which seem to threaten the very life of the organization. But I believe I am safe in saying that no problem has given them so much concern as the problem of local strikes in violation of agreements.

Thousands of dollars are expended every year in an effort to organize the 250,000 nonunion miners in the United States, while hundreds of our members go on strike almost every day in absolute, unexcusable violation of existing agreements.¹

This criticism comes not from an employer, but from an ardent, earnest unionist, in high standing in his organization.

Corroborating the statement of Mr. Smith, comes a statement

¹—New York Hearings, U. S. Commission on Industrial Relation, pp. 2750-51.

published in *Coal Age* of December 20, 1913, issued by the Association of Bituminous Coal Operators of Central Pennsylvania, addressed to Mr. Patrick Gilday, President of District No. 2, U. M. W. of A., Morrisville mines, Pa., dated Philadelphia, December 12, 1913, in which, among other things, the following appears:

Whereas, Rules 12 and 13 of said agreement provide, "that should differences arise between the operators and mine workers as to the meaning of the provisions of this agreement or about matters not specifically mentioned in this agreement, there shall be no suspension of work on account of such difference, but an earnest effort be made to settle such differences immediately." Whereas, notwithstanding the fact that Rule 15 provides the right to hire and discharge, the management of the mine and the direction of the working forces are vested exclusively in the operator, the United Mine Workers of America have absolutely disregarded this rule, in that they have at numerous times served notices on substantially every operator belonging to our Association, that unless all the employees working for such operators should become members of the union on or before certain dates mentioned in said notices, that they, the Mine Workers, would close or shut down the operators' respective mines, and in many instances did close the mines for this reason, and refused to return to work unless such nonunion employees were discharged. This conduct is in direct violation of the contract, and specifically interferes with and abridges the right of the operator to hire and discharge; of the management of the mine, and of the direction of the working forces; this conduct in violation of contract on the part of the Mine Workers, as well as that mentioned in the preceding paragraph, has resulted in more than one hundred strikes during the life of our scale agreement.¹

Numerous other illustrations could be given from the records of the Commission, showing that there are other instances where unions did not observe their contracts, tending to make, in the minds of many employers, a character for all unionism, and thus increasing their hesitancy in recognizing and dealing with unions.

Restriction of Output

Not least among the reasons given by fair-minded employers for refusing to recognize or deal with labor unions, is the fact that many unions stand for a limited output, thus making among their workers for the dead level, and thereby making it impossible for the union employer successfully to compete with the nonunion employer, who is not faced with such handicap.

British industrial conditions are cursed with the practice of limited output, as compared with the absence of this practice in industrial Germany. As a consequence, Germany, in time of peace, has industrially outrun Great Britain by leaps and bounds.

The British unionist, by practicing limited output, has thus played directly into the hands of his keenest industrial competitor, the German.

¹—New York Hearings, U. S. Commission on Industrial Relations, pp. 2061-2.

The records of the Commission also show that organized labor, almost as a unit, is very strongly opposed to the introduction in industry of what has become known as Scientific Management, or Efficiency Methods. In relation to this phase of the problem, we find ourselves at one with the statement made and the opinions expressed by Mr. Louis D. Brandeis before the Commission at Washington, in April, 1914, who, when invited to express his opinion on the question of efficiency standards, scientific management, and labor, among other things, said

My special interest in this subject arises from the conviction that, in the first place, working men, and in the second place, members of the community generally, can attain the ideals of our American democracy only through an immediate increase and perhaps a constant increase, in the productivity of man. * * * Our ideals could not be attained unless we succeed in greatly increasing the productivity of man. * * * The progress that we have made in improving the conditions of the working man during the last century, and particularly during the last fifty years, has been largely due to the fact that intervention or the introduction of machinery has gone so far in increasing the productivity of the individual man. With the advent of the new science of management has come the next great opportunity of increasing labor's share in the production, and it seems to me, therefore, of the utmost importance, not only that the science should be developed and should be applied as far as possible, but that it should be applied in cooperation with the representatives of organized labor, in order that labor may now, in this new movement, get its proper share.

I take it that the whole of this science of management is nothing more than an organized effort, pursued intensively, to eliminate waste. * * * It is in the process of eliminating waste and increasing the productivity of man, to adopt those methods which will insure the social and industrial essentials, fairness in development, fairness in the distribution of the profits, and the encouragement to the working man which can not come without fairness.

I take it that in order to accomplish this result, it is absolutely essential that the unions should be represented in the process. * * * When labor is given such a representation, I am unable to find anything in Scientific Management which is not strictly in accord with the interests of labor, because it is nothing more than fair, through the application of these methods which have been pursued in other branches of science, to find out the best and the most effective way of accomplishing the result. It is not making men work harder—the very effort of it is to make them work less hard, to accomplish more by what they do, and to eliminate all unnecessary motion, to give special effort and special assistance to those who, at the time of the commencement of their work, are mostly in need of the assistance because they are less competent.

* * * As I view the problem, it is only one of making the employer recognize the necessity of the participation of representatives of labor in the introduction and carrying forward of the work, and on the other hand, bringing to the working man and the representatives of organized labor, the recognition of the fact that there is nothing in Scientific Management itself which is inimical to the interests of the working man, but merely perhaps the practices of certain individuals, of certain employers or concerns who have engaged in it.

I feel that this presents a very good opportunity for organized labor. It seems to me absolutely clear, as Scientific Management rests upon the fundamental principles of advance in man's productivity, of determining what the best way was of doing a thing, instead of the poor way, of a complete coordination and organization of the various departments of business, that the introduction of Scientific Management in our businesses was certain to come; that those who oppose the introduction altogether are undertaking a perfectly impossible task; and that if organized labor took the position of absolute opposition, instead of taking the position of

insisting upon their proper part in the introduction of this system, and the conduct of the business under it, organized labor would lose its greatest opportunity, and would be defeating the very purpose for which it exists.

On being asked the question what, in his opinion, would be the status of unionism in the event of Scientific Management becoming a common industrial condition, Mr. Brandeis said:

I think there would be a great deal left for unionism to do, and do not think the time will come when there will not be, as long as there is a wage system in existence. * * * I do not feel that we have reached the limit of the shorter day, certainly not in some employments, nor do I think we have reached the limit of the higher wage; certainly we have not reached the limit of the best conditions of employment in many industries.

All of these subjects are subjects which must be taken up, and should be taken up by the representatives of the men and women who are particularly interested. There will be work for unions to do as long as there is a wage system.

Prohibition of Use of Nonunion Made Tools and Material

The sixth reason offered by employers for refusing to recognize or to deal with organized labor, is that when they do so they are often not permitted to use nonunion made tools or materials, thus placing upon themselves a burden and a hardship from which nonunion employers are free, and thus also laying themselves liable to get into all sorts of controversies with the union, which are vexatious, annoying, time-losing, and, frequently, most costly, as they sometimes lead to grave and serious strikes.

Closed Shop

The seventh reason why many employers refuse to recognize or to deal with organized labor (and among these may be mentioned the employers of large bodies of workers who have previously had trade agreements with organized labor) is the matter of the closed shop.

Many such employers are quite willing to recognize and to deal with unions upon a tacit or written open shop agreement, but they have no confidence, based on their previous experience, that an open shop agreement will be respected by the unions. Such employers labor under the fear that, despite an open shop agreement or understanding, the union, at its first opportunity, will force them to compel the nonunion worker to join the union. Employers such as these are unwilling to place themselves in the position where the union can control them despite an open shop agreement or understanding, and, so to speak, put a pistol to their heads and command them in turn to command a non-

union worker, on pain of dismissal, to join the union. Such employers feel that, having an open shop agreement or understanding, if, for any reason, a worker does not choose to join the union, they, as employers, should no more compel him to do so than they would compel him to join any particular fraternal society or religious body. They feel that if they are working under an open shop agreement or understanding, and such non-union worker is capable, efficient, and has rendered long and faithful service, that they are doing him and themselves a great injustice either to force him into a union or to discharge him because he will not join a union.

Where an employer enters into an agreement with a union which does not stipulate that only union men shall be employed, but leaves the employer free to employ exclusively union men, or some union and some nonunion men as he may prefer, so long as he maintains for all men union conditions, in such an event the union has no right to demand that the nonunionist should be compelled by the employer to join the union or a strike will follow. For the union, under such conditions, to strike, as it has done notably in the Pennsylvania coal fields, and as pointed out also by W. O. Smith, ex-Chairman of the Executive Committee of the Kentucky District of the United Mine Workers of America, whose statements have been quoted herein, is a violation, on the part of the union, of its contract.

It may be held that unionists working under an open shop agreement or understanding always reserve to themselves the right, for any reason or for no reason, to cease to work alongside of nonunion men, and that they further reserve the right to determine the psychological moment at which it is in their interest to cease work or to go on a strike because they will not work alongside of nonunion men. It is the fear of the likelihood of their doing this that frightens off many employers from recognizing or dealing with organized labor. They feel that even when they are operating under an open shop agreement or understanding, which does not deny them the right to employ non-union men so long as they work under union conditions, they are working with a sword suspended over their heads by a slender thread, which may break at any moment, and are liable to have a strike on their hands at the most critical time, which may spell ruin for their business. Employers, as a rule, do not deem it a good business policy to invite such risks.

An impressive example of this policy on the part of organ-

ized labor was brought out in the testimony taken by the Commission at Lead, S. D. Superintendent Grier of the Homestake Mining Company, Lead, S. D., at the hearing held by the Commission at that point in August, 1914, stated that he had recognized and dealt with the Lead City Miners' Union from 1877 to 1909, with the understanding that they were at liberty to employ union or nonunion men as they preferred. Late in October, 1909, a resolution was published in the daily papers that on and after the 25th of November, 1909, members of the Federation would not work with those working for the Homestake Mining Company who failed and neglected to become members of the union in good standing; and in consequence, on the 25th of November, the mine was closed down, and from that day on the company has not recognized nor dealt with organized labor.

We are, however, of the opinion that where an employer enters into an agreement with a union which stipulates that only union men shall be employed, a thing which he has both a moral and a legal right to do, the nonunion worker, in that event, can have no more reason to find fault with the employer in declining to employ him, than a certain manufacturer would have if the employer, for reasons satisfactory to himself, should confine his purchases to the product of some other manufacturer.

Contests For Supremacy Between Rival Unions

Testimony has been given before this Commission indicating in more than one instance, that contests between rival unions, or factions of the same union, have led to strikes causing industrial unrest from which the worker as well as the employer, has suffered harm and loss.

Acts of Violence Against Nonunion Workers and the Properties of Employers

The ninth objection raised on the part of the employers against unionism, which has been substantiated abundantly by investigation and by testimony taken by the Commission, is the resort on the part of unionists to violence in labor troubles, and to the fact that unionists condone such violence when committed in the alleged interest of labor.

The most notable case, of course, in modern industrial history, is that of the Structural Iron Workers, which resulted in the plea of guilty on the part of the McNamara brothers, for the blowing-up of the Los Angeles Time Building, killing over

twenty innocent people, and which further resulted in Frank Ryan, the President of the Structural Iron Workers' National Union, and a group of other labor union officials, being convicted and sentenced to prison.

As a matter of fact, the bringing into life of this United States Commission on Industrial Relations was due primarily to the long series of crimes committed at the instance of the Structural Iron Workers' Union, which culminated in the blowing-up of the Los Angeles Times Building, with its attendant loss of life of innocent citizens, and which aroused a state of public sentiment demanding that an investigation be made by an impartial Federal body, to inquire into the underlying causes of industrial unrest, the existence of which seemed to be evidenced by the violent activities on the part of labor in various parts of the country.

Vincent St. John, Secretary of the Industrial Workers of the World, in his testimony before the Commission on Industrial Relations at a public hearing in New York, said that he believed in violence when it was necessary to win. He said that if the destruction of property seemed necessary to bring results, then he believed in the destruction of property.

A. Johannsen of California, State Organizer for the Building Trades of California, and General Organizer for the United Brotherhood of Carpenters, in his testimony before the United States Commission on Industrial Relations at Washington in May, 1915, in speaking of the reelection of Frank Ryan, President of the National Structural Iron Workers' Union, among other things thanked the Lord that the union had the courage to reelect him President after he had been convicted as a participant in the dynamiting crimes of the Structural Iron Workers. He further expressed the hope that it was true that the convicted dynamiters, after being re-elected to office by the Iron Workers, were met by a procession of applause at Fort Leavenworth while on their way to prison, and that President Ryan performed his official duties while there, and rendered his official reports as President of a union of 10,000 members and a part of the American Federation of Labor.

In contradistinction to the opinion of Mr. Johannsen, to the effect that he thanked the Lord that the union had the courage to reelect Frank Ryan President after he had been convicted as a participant in the dynamiting crimes of the Structural Iron Workers, we have the opinion of Dr. Charles W. Eliot, President Emeritus of Harvard University, who, in his testimony

before the United States Commission on Industrial Relations at New York, January 29th, 1915, in referring to this very instance, said, in answer to the question as to how he regarded the action of the Structural Iron Workers' Union in reelecting Frank Ryan President after his conviction of crime, "As a serious moral offense against the community as a whole."

Speaking about respecting court labor injunctions, Witness Johannsen said:

I don't think the power of an injunction goes much beyond the courage of those who are enjoined. I think that if a person is convinced in his own mind and his own feelings that his case is just, that his demands for an increase of wages, or whatever the fight may be—if you think and feel you are right, why then go ahead. Never mind about those pieces of paper.

On being asked whether he (Johannsen) believed that Frank Ryan, President of the Structural Iron Workers' National Union, and his associates, were innocent men railroaded to prison, he said that he did, and that he was satisfied they never committed any crime against labor or a better society, and were therefore unjustly convicted. This was his attitude, despite his attention having been called to the opinion and decision rendered by the Circuit Court of Appeals, including Judges Baker, Seaman, and Kohlsaat, against whose integrity and fairness no whisper had ever been heard, and who seemingly went into the evidence in the dynamiting cases most exhaustively and carefully, and who, among other things, in their decision, said—

The facts thus recited, as proven by the Government on the trial, may be mentioned in part as follows: Almost 100 explosions thus occurred, damaging and destroying buildings and bridges in process of erection where the work was being done by open shop concerns, and no explosions took place in connection with work of a similar character, where the work was done by closed shop concerns. * * * In connection with this work of destruction, dynamite and nitro-glycerine was purchased and stolen, and various storage places arranged to conveniently store such explosives which were to be used in the destruction of property in the various States referred to. * * * Large quantities of dynamite and nitro-glycerine were at various times stored in the vaults of the Association at Indianapolis, and also in the basement of the building. * * * Four explosions occurred in one night at the same hour in Indianapolis, and explosions were planned to take place on the same night, two hours apart, at Omaha, Neb., and Columbus, Ind., and the explosions so planned did occur on the same night, at about the same time, instead of two hours apart, owing to the fact that one clock was defective. * * * All the dynamite and nitro-glycerine * * * including the expenses incident to the stealing of the dynamite, were paid out of the funds of the International Association, and these funds were drawn from the Association upon checks signed by the Secretary-Treasurer, John J. McNamara, and the President, Frank M. Ryan, plaintiff in error.

The written correspondence on the part of many of the plaintiffs in error * * * furnish manifold evidence not only of understanding between the correspondents of the purposes of the primary conspiracy, but many thereof convey information or direction for the use of the explosives, while others advise of the destruction which has occurred, and each points unerringly not only to the understanding that the agency therein was that of the conspirators, but as well to the necessary steps in its performance of transporting the explosives held for such use. This line of evidence

clearly tends to prove, and may well be deemed convincing of the fact on the part of many, if not all, of the correspondents.

Plaintiff Frank M. Ryan was President of the Association and of its Executive Board, and was active manager and leader of the contest, and policies carried on throughout the years of the strike and destructive explosions in evidence. Letters written and received by him at various stages of the contest clearly tend to prove his familiarity with and management of the long course of destroying open shop structures, however guarded in expression. He was at the headquarters of the Association for the supervision of operations periodically, usually two or three days each month, uniformly attended the meetings there of the Executive Board, and made frequent visits to the field of activities. * * * He signed all of the checks in evidence for payments for expenditures for purchase, storage, and conveyance of explosives. * * * Many other letters in evidence, both from and to him, however disguised in terms, may well authorize an inference of his complete understanding of, and complicity for, the explosions, both in plans and execution.¹

Masses of testimony were filed with the Commission to prove that organized labor at times resorted to a policy of lawlessness. Among other documents may be cited a magazine under the title of *A Policy of Lawlessness*, a partial record of riot, assault, murder, and intimidation, occurring in strikes of the Iron Molders' Union, during 1904-5-6-7, published by the National Founders' Association, in which are given, as a partial list taken from court records, a great number of instances of violence on the part of labor unionists in labor disputes; and also a document published as a report, submitted by the Committee on Labor Disputes of the Cleveland Chamber of Commerce, entitled *Violence in Labor Disputes*, giving hundreds of instances where unionists had resorted to violence in labor troubles in that community alone.

Mr. Luke Grant, special investigator for the United States Commission on Industrial Relations, in his report to the Commission on the National Erectors' Association and the International Association of Bridge and Structural Iron Workers, says:

Do they [the unions] believe in violence? They did not destroy property and they don't know who did. They probably adopted resolutions denouncing the unknown perpetrators, and offering a reward for their arrest and conviction. The Western Federation of Miners, in convention, offered a reward for the arrest of the men who blew up the Independence depot in June, 1904, killing 14 men. Harry Orchard afterward confessed that he and Steve Adams did it, acting as agents for the officers of the union.

In this way do union men collectively approve of violence, that few if any of them would individually permit.

Referring to the industrial war between the National Erectors' Association and the Structural Iron Workers' Union, Mr. Grant continues to say:

When the hopelessness of the situation became apparent to the union officials, resort was made to the destruction of property. Diplomacy was out of the question, so dynamite was tried.

¹—Washington Hearings, May 1915, U. S. Commission on Industrial Relations p. 1004-13.

The report of Luke Grant brings out the fact that the Structural Iron Workers had no grievances against their employers in the matter of wages, hours, or working conditions. The only question at issue was that of the closed shop. To enforce the closed shop, the Structural Iron Workers seemed to feel themselves justified in dynamiting over one hundred properties and destroying many innocent lives.

Police Commissioner Arthur Woods, of the City of New York, in his testimony before the United States Commission on Industrial Relations, in May, 1915, at Washington, D. C., speaking of violence by labor unions, among other things said:

The result of our investigation shows a course of procedure like this: There would be a strike and the strikers would retain some gunmen to do whatever forcible or violent work they needed. The employer, to meet this violence, would in a comparatively small percentage of cases, and not as many cases as the gunmen were employed on the other side, hire a private detective agency. The function that the gunmen were to perform was to intimidate the workers that were hired to take the place of the strikers. * * * There were three indictments for murder in the first degree.

The question was asked Police Commissioner Woods in how far his investigations had warranted the statement that appeared in the New York Herald of May 14, 1915, reading as follows:

Several of the indictments mentioned assault upon members of the union, and in this connection District Attorney Perkins said last night that the reign of lawlessness was caused by union leaders who wished to perpetuate themselves in power, who hired assailants to assault contenders in their own unions for their places, and who used their union offices to extort blackmail under threats from employers. Seven men are indicted for assault in a riot for control of the union. Four men are indicted for hiring Dopey Benny's men to go to a nonunion factory and rough-house the employees as they left, and wreck the plant. A dozen workers were wounded in that fight.

Six union men are accused of extortion and assault in using violence to collect a fine of \$100 upon an employer. Four others are accused of hiring the Dopey Benny band to shoot up a nonunion factory. Many shops were fired. The factory suffered a damage of \$1000 and several persons were injured. Other indictments mentioned cases where the band was employed by union leaders to attack nonunion workers, to wreck factories, and even to assault nonunion men who opposed the leaders. (pp. 964-5.)

To all of the foregoing, Police Commissioner Woods replied, "That is the general line of things that we found."

One of the ablest and clear-headed exponents of the cause of labor that testified before this Commission was Morris Hillquit of New York. In speaking of violence in labor troubles, he is quoted as saying,¹ that the resort to violence and lawbreaking was "ethically unjustifiable and tactically suicidal." Mr. Hillquit pointed out that wherever any group or section of the labor movement "has embarked upon a policy of 'breaking the law' or using 'any weapon which will win a fight,' whether such policy was styled 'terrorism,' 'propaganda' of the deed, 'direct action,' 'sabotage,' or 'anarchism,' it has invariably served to destroy the move-

ment, by attracting to it professional criminals, infesting it with spies, leading the workers to needless and senseless slaughter, and ultimately engendering a spirit of disgust and reaction."

Robert Hunter, commenting on the foregoing statement made by Morris Hillquit, says (p. viii) :

It will, I think, be clear to the reader that the history of the labor movement during the last half century fully sustains Mr. Hillquit's position.

Apprenticeship Rules

The question of apprenticeships has led to much industrial strife and consequent industrial unrest, where unions have arbitrarily determined the number of apprentices that the employer may take on.

Where this practice has prevailed the union employer has, in competition with the nonunion employer, been seriously handicapped. The remedy for this evil lies obviously in a joint agreement under the direction of the proposed State Industrial Commissions, in which each side has an equal voice in determining the proper quota of apprentices to be employed.

In conclusion, it is our desire to point out that organized labor is chargeable with its fullest share of creating causes of industrial unrest, because of its sympathetic strikes, its jurisdictional disputes, its labor union politics, its contract breaking, its resort to violence in time of trouble, its policy of limited output, and its closed shop policy. There is an abundance of evidence in the records of the Commission to show that organized labor is also guilty of intimidating courts, more especially the lower criminal courts, to deal lightly with labor offenders charged with criminal assaults in labor troubles; and that some judges, more especially in the lower courts, toady to organized labor for vote-getting purposes, and dismiss union labor men guilty of law breaking, or impose on them nominal penalties out of all proportion to the crimes committed.

These various policies have brought about their fullest share among the workers, to say nothing of the injury inflicted on employers and on society, of poverty, suffering, wretchedness, misery, discontent, and crime. Organized labor will never come into its own, and will indefinitely postpone the day when its many commendable objects will be achieved in the broadest sense, until it will cut out of its program sympathetic strikes, until it can prevent cessation of work in jurisdictional disputes, until it can more successfully prevent labor union politics, until it can teach many in its rank and file to regard more sacredly

their trade agreements, until it can penalize its members for resorting to violence in labor disputes, and until it can make it a labor union offense to limit output.

Organized labor may ask, "If we cut out the evil policies complained of from our program, what offensive and defensive weapons will be left us with which to protect ourselves against the unfair employer?"

The answer is that when labor is effectively organized, it has two most powerful weapons at its command that the employer, as a rule, dreads and fears because of the great damage these weapons can inflict on him, namely, the strike and the primary boycott, both of which are within the moral and legal rights of the worker to use.

Generally speaking, the evils complained of have been eliminated from the program of the railway brotherhoods. As a consequence, railway managers do not hesitate to recognize and to deal with the railway unions, to their mutual advantage and satisfaction, with the result that collective bargaining has become the common condition in the railway world. Railway strikes and lockouts have now become most infrequent, and industrial unrest due to these causes in this sphere of activity has become greatly minimized.

If these evils are eliminated by organized labor from its program, much will have been done to stimulate collective bargaining and to minimize the existing causes of industrial unrest. The remedies for all these evils do not lie with the employer; they rest wholly and solely with unionists. The responsibility for the growth of these evils, in our opinion, rests primarily with unionists who neglect their union duties, and who are as unmindful of their duties as union men as are many voters of their civic duty who remain at home on election day.

We have faith in the honesty of purpose, in the fairness of spirit, and in the law-abiding character of the American worker, and we do not believe that the rank and file of American wage earners are in favor of many of the practices of some unions which have subjected unionism to so much severe, but just, criticism. We believe it is the duty of each unionist regularly to attend the meetings of his union, in order that democracy shall prevail in trade unions instead of an autocracy or despotism, which inevitably follows where the best membership fails to attend union meetings, and thus permits the affairs of the organization to get into the hands of incompetent, ill-judging, or

dishonest officials, who, for their selfish ends, abuse the power and authority vested in them.

Wherever there are found honest, high-minded, clear headed, labor leaders—and in the course of our investigations and hearings we have come into close personal touch with many such as these, who have commanded our esteem and respect—it will be found that, as a rule, they represent unions where the better membership takes a lively and active interest in the welfare of the association, and regards it as a sacred duty to regularly attend its meetings.

We say frankly that if we were wage earners we would be unionists, and as unionists we should feel the keen responsibility of giving the same attention to our trade union duties as to our civic duties.

The ideal day in the industrial world will be reached when all labor disputes will be settled as a result of reason, and not as a result of force. This ideal day can be hastened if the employers, on the one hand, will earnestly strive to place themselves in the position of the worker, and look at the conditions not only through the eye of the employer but through the eye of the worker; and if the worker will strive to place himself in the position of the employer, and look at the conditions not only through the eye of the worker but through the eye of the employer.

This, of course, means the strongest kind of organization on both sides. It means that employers must drive out of the ranks of their associations the law breaker, the labor contract breaker, and the exploiter of labor. It also means that, in the interests of fairness, every Board of Directors of an industrial enterprise should have within its organization a committee for the special purpose of keeping the Board of Directors advised as to the condition of their workers. And it finally means that trade unions must, in order to minimize the causes of industrial unrest, among other things remove the weak spots in unionism set forth herein, thereby hastening the day when employers will no longer fear to recognize and deal with unions, and when collective bargaining shall thus become the common condition.

Finally, we feel that employers, individually and through their associations, in common with thoughtful representatives of labor, should give their fullest share of thought and lend their heartiest cooperation in aiding to solve, through constructive legislation and other ways, the great problems of vocational ed-

ucation, continuation schools, woman and child labor apprenticeship, hours of labor, housing, sickness insurance, workmen's compensation, safety measures, old age pensions, and unemployment. The hope is therefore expressed that employers will strive to work *with* rather than *against* intelligent labor representatives in aiding, through these various movements, to lessen industrial unrest and to still further improve the condition of wage earners and their dependents.

CAPITALISM AND SOCIAL DISCONTENT¹

In these days when capital is being destroyed on an enormous scale in the European War, some fundamental ideas are gaining recognition by the mere logic of events which in the piping times of peace would have taken great pedagogical effort and much time to enforce. Unconsciously, the upheaval of industry in the belligerent countries is tied up in every one's mind with speculations as to the diminution in the supply of capital now and in the immediate future after the end of the war.

The fundamental problems for the laboring men, however, will not only remain, but their pressing importance will be intensified by all that is happening in the war.

In some way the belief has won a wide support that the empty-handed young workman is, and must remain, outside the sacred precincts of industrial success because he is denied the hope and possession of capital. Or, as it was expressed by an intelligent student: "What hope is there, under the present industrial system, for the disfranchised classes?" No doubt, the supposition that the laboring force is practically cut off from the possession and advantage of capital is the basis for the fundamental tenet of Socialism that the State should control all capitalistic instruments of production in the common interest.

The evolution of capitalistic forms has gone on since early times almost in geometrical progression until we have reached the amazing variety and efficiency of those of the present day. In a time of only rude forms of primitive capital the surplus left for savings was but small; and, in addition, the prevailing violence of the times gave little security to what was saved. But capital grew more rapidly as capitalistic forms increased. It is

¹ By J. Laurence Laughlin. *North American Review*. 213:403-12. March, 1916.

sometimes asserted that those of small incomes have no margin from which capital can be saved. The mere fact of the steady and marvelous growth of capital as the race has developed out of meagre, primitive resources is the final answer to any such claim. Capital has become an essential and powerful agent in production, separable from labor, exchangeable among men by loans, practically unlimited in supply, except as it may be limited by the saving propensities of mankind and by the materials (*e.g.*, wood and iron) out of which the concrete forms of capital may be made. Indeed, modern civilization, the everyday present well-being of the race, would be wholly impossible without the efficient aids which man has already created in the multifarious forms of capital.

Capital serves to discount long-continued processes of production. Since we can obtain more goods by the aid of capital than without, we move forward, by inventions touching specialized processes, to adopt methods absolutely impossible without more or less durable forms of capital. Thus satisfactions which meet varied wants become more abundant and cheaper only as industry is able to use more and more capital,—that is, only as production becomes more capitalistic. The only limit to this development, as has been said, is the self-control and ingenuity of the human mind. Hence, not only does capital change the relation of man to his environment and to his ability to satisfy increasing wants, but it enables him to create a system of industry involving an extensive quality of coöperation and division of labor (as against primitive individualism), which would be wholly impossible without it. This is the outcome of capitalism.

We thus come to see capitalism as a highly beneficent influence in the economic world. It has enlarged the comfort and range of consumption of the poorest toiler on the earth. That truth is unmistakable. Then why is it that in the labor literature of our day "capitalism" is used as a term of reproach, or objugation? What really resides in the hopeless lament that the laboring classes are, in respect of capital, "disfranchised"?

Capitalism probably has the connotation in the minds of those who thus express themselves that it is responsible for the separation of mankind into employers and employees, into masters and servants. Why is it that in the world of industry some men are employers and some are employed? To some of those who have lately come from nations having privileged classes, where

many are born to wealth without effort of their own, it may seem that all capital is unjustly owned by its possessors. But apart from inheritance, gifts by privilege, and robbery, the enormous mass of modern industrial capital has come into existence by a personal process of saving, by abstention from personal consumption in order to get it for productive uses. The original of capital has both a psychic and a physical element. Given a strong desire to save, the amount of capital accumulated will vary with the margin from which savings can be made; or, given the margin, large or small, the amount saved will vary with the ability to realize the future. Anything, therefore, which will increase the power of the future over the present will, other things being equal, increase the amount of capital.

The creation and legitimate possession of capital, consequently, requires certain personal qualities,—willingness and imagination enough to weigh a future gain over against a present indulgence, self-control, patience, persistence, foresight, and prudence. Those who have these homely virtues become the possessors of capital, and hence employers of others; while those who have them not, and own no capital, must seek those who have capital; and hence are employed by others. The separation into the two great classes of the employers and the employed is thus due to differences in human qualities; differences, however, of a kind which can be removed by training, environment, and the development of character and civilization. Moreover, is it not a beneficent order of things by which material success—which appeals strongly to many who are deaf to ordinary moral and religious appeals—is set forth as a reward for the exercise of many of the simplest virtues? Indeed, one of the fundamental weaknesses of Socialism is that it promises to its votaries the possession of capital through the action of the State, without any personal sacrifice on their part and by removing the very stimulus to character and virtue laid upon them by the existing system of society—more or less faulty though that system may be in other ways.

We are logically forced to the conclusion, therefore, that there is no limit to the supply of this immensely powerful and necessary factor, capital, except the total increase of wealth over maintenance, and the willingness to save. There is, then, no possible monopoly in capital. By the spread of intelligence and science the total wealth from which savings can be made is increasing, precisely because new forms of

capital are being constantly devised which are over enlarging the productive forces of mankind. To this process there is no end. There is, also, no monopoly of the powers of men to labor or to postpone consumption. It is a matter to be decided only by the individual himself. He is not restrained or "disfranchised" by any power outside himself. If a young man with limited skill and intelligence ignorantly marries without having saved anything and immediately begets a large family of children, of course he finds it hard to save on a very small income; and hence he may regard the man who has already accumulated capital as a monopolist to whom he must go for employment. The situation, however, is one of the laborer's own creating; the fault is not in the existing system of society, nor in any limitation to capital, which can be saved by any one who is willing to comply with the rules of the game set by the character of human nature and our external environment. In short, the improvement of the position of the poorer laborer is largely dependent on internal ethical growth and self-control. The remedy is, in the main, not social, but personal.

Such being the essential reasons why some men are employers and others are employed, why some men have capital and others not, the very natural ambition of those who have meagre incomes to enlarge them has created what we have come to describe as "social discontent." It would be very unfortunate if those having little did not wish to have more of this world's goods, in order that they might be freed from the deadening effects of monotonous labor without the hope of a decent and cheerful environment. Therefore, "social discontent" is not a thing to be decried; but a thing which, if it did not exist, we should wish to create and stimulate as a means of establishing the very motive for progress in those who sometimes have no ambition and think they are "disfranchised" (in the industrial sense). Thus given the motive, how may we state the means to the given end? We are all agreed in wishing for larger incomes for those in the harder walks of the unskilled; but the really difficult thing is to come to an agreement upon the means of reaching the end desired by us all.

Perhaps the one instrumentality for increasing the shares of workingmen which has become sacrosanct in the labor world is the union. Is this a means likely to accomplish the desired end? Let us examine this means dispassionately, and solely

with the aim of testing its probable efficacy for raising the standard of living, and for increasing the consumption, comfort, and enjoyment of the lower range of laborers.

The laborers are urged to regard "trade-unions as the means through which to work out their economic salvation."¹ Not only are unions to provide "just wages," but to bring about an equitable distribution of wealth:

Trade-unionism stands for the constructive development of society, it seeks the more equitable distribution of wealth in order that all our people may develop to the extent of their highest and best possibilities.²

To such an extent has this type of mind gone in insisting on the union as the one agent at hand for bringing about a rise of wages and the progress upwards of the laboring classes that its vision is obscured for any other means—and this mainly on the ground that the union is the only practical means by which to reform an inequitable system of distribution. Tremendous energy has been put into the cause of Unionism in this behalf. That unions have an important place in our economic life no one doubts; but to suppose that the union is the solution of the problem of equitable distribution no one, in his economic senses, believes.

Elsewhere I have tried to emphasize the point—not new by any means—that unions are characterized by the basic principle of monopoly of labor. Their whole economic purpose is to try to raise wages at a given time and place by limiting the supply of labor obtainable by employers. To this it has been replied that "a labor-union is not a combination or conspiracy in restraint of trade"; that no decision of the courts has declared that, under the anti-trust act, an organization of workmen "is an unlawful monopoly." Of course not; nor is any lawful organization. The real point at issue is: Does this or that particular combination of laborers commit acts in restraint of trade? If it does, it comes under the penalties of the act, as in the case of the Danbury Hatters.

Moreover, in reply to the truism that unions are based on the principle of monopoly, a somewhat irrelevant reply³ is given that a distinction should be made between organizations formed to control the prices of commodities such as the necessities of life (referring, of course, to the so-called trusts), and those

¹ John Mitchell: "The Economic Necessity of Trade-Unionism," *Atlantic Monthly*, February, 1914.

² *Ibid.* p. 169.

³ John Mitchell, *supra*, p. 164.

"formed for the purpose of defending and promoting the interests of the wage-earners" (meaning, of course, labor-unions). This is obviously an appeal to the feeling of humanity which should not regard human beings as if they were inanimate goods. Of course labor stands in a different category from goods, and the conditions affecting their supply are entirely different: on that we are all agreed. But that distinction is irrelevant to the point at issue. There are organizations of men known as producers "for the purpose of defending and promoting their interests," and there are organizations of men, known as laborers "for the purpose of defending and promoting their interests." Both are organizations of men; and both are subject to the same law regulating the actions of men, if either should attempt to restrain trade. It is sophistical to speak as if one group were affected by law and the other not.

This sophistical reasoning goes farther. It is claimed that the Anti-trust Act was never intended to apply to organizations having no capital stock, not dealing in products of labor, and not organized for a profit. It can make no more difference whether an organization violating the law has capital stock or not than whether a violator of the peace has blue eyes or brown eyes. It can make no difference what a combination ostensibly deals in, or whether its profits are large or small; the real issue must always be, has it violated the law of the land? Why then should any one be pained to find unions included under the provisions of the Anti-trust Act? They could not be included merely as organizations, no matter what their purpose, if they did nothing objectionable under the law. If the members of a union are proved to have restrained trade there is no reason why they should not be regarded as violators of the law as well as any other persons or organizations.

Since the formative principle of a union is a restriction of employment to its own members, the attitude of labor leaders to it is highly important. It bears on the large question of the proper means by which the workingmen may better their position. This attitude is briefly summed up as follows:¹

If it eventually should be held that labor unions as such are monopolies in restraint of trade and thus subject to dissolution by order of the court, no greater disaster to the orderly, rational and constructive development and progress of the wage-earning masses will have occurred.

¹ John Mitchell, *supra*, p. 163.

Obviously no union whose acts are lawful is in danger of dissolution. "Trade-unions," it is claimed, "strive for peace based upon industrial righteousness."² The inference is that whatever, in the eyes of the Unionists, is "industrial righteousness," whether forbidden by law or not, should be allowed to unions without danger of dissolution. Who is to decide what it is? The union is to remain peaceful, provided there is allowed to it what it itself interprets to be "industrial righteousness."

Quite apart from the abuses of union organization (which are separable from the legitimate services of unions), the economic function of the union is what most concerns us. Taking it at its best, can it produce the results claimed for it?

As has been said, the essential principle of it is the monopoly of labor. It can accomplish its aim of raising the wages of its members only by the limitation of competitors. If the whole supply of labor were under control, then the union could produce a complete monopoly and fix price; but since this is humanly speaking, impracticable, there can be attempts at fixing price only by artificial monopoly. The reason of this failure to function as a perfect monopoly is obvious. The supply of labor through births cannot be controlled by unions, as now conducted. If the supply of workers is certain to come forward for physiological reasons quite irrespective of union policy, it is useless to assume any power by unions to fix prices of labor through control of supply. And yet that is the central theory of Unionism.

Are unions indeed the only means at hand to accomplish "the orderly, rational and constructive development and progress of the wage-earning masses"? The statement made in John Stuart Mill's day still remains true, that the extraordinary progress made in industrial output and efficiency of production for many decades has not been accompanied by a corresponding enlargement in the income and consumption of the wage-receiving classes; because numbers have increased as production has advanced, and a larger total dividend has been spread over more divisors, giving to each laborer a not much larger quotient than before. If this be true, the future progress of the laboring population depends upon something more than fractional advances in their wages. Is it not beginning to dawn upon the

² *Ibid*, p. 162.

real friends of labor that betterment cannot be permanently or even sensibly advanced so long as men are merely receivers of wages? The union, however, assumes that all depends upon the matter of wages. And yet, looking back, can any sympathetic friend of labor be satisfied with the gains which the workers of our race have won through the mere receipt of wages?

The central reason why the union is not a means competent to solve the problem of an inequitable system of distribution is that it confines its attempts to control the price of labor to a means of controlling supply which is really illusory. Moreover, the price of anything is also affected by whatever touches the demand for it. The thing to be acquired must have such qualities as will excite in the demander a belief that it will satisfy his need. Granting the need, and the ability to pay, the price will be affected by the utility of the thing to be marketed. Other things being equal, the greater the efficiency or utility of labor the greater the demand for it. This is one reason why skilled labor may command higher wages than unskilled. Does the union aim to develop efficiency and utility in labor, in order to obtain higher wages? Not usually.

Another economic difficulty has been blinked by those who rest their hopes alone on wages, and try to connect the wages to be paid with the value of the product turned out. Even some respectable authorities fail to see that two separate processes of valuation are going on, each independent of the other, both in time and in conditions of demand and supply. The bargaining for wages to workmen goes on at a time before the goods of which they are working have been produced; and labor leaders are right who insist that the supply of labor and the demand for it are affected by all that characterizes human beings on the one hand as distinct from those that characterize inorganic matter on the other. The supply of labor comes forward as a result of the strongest instinct in human beings; and the demand for labor can come only from those who can pay for it (*i. e.*, with funds saved). On the other hand, the finished product is priced at a time after the bargaining for labor has been settled; and the supply of goods comes forward in answer to an offer of purchasing power, and under conditions influenced by efficiency of production, the condition of the arts, inventions, divisions of labor and the like. The price-making process, therefore, is clearly distinct in time and conditions for labor on the one hand, and goods on the other. The obvious

conclusion from this admitted fact, then, is that methods of raising wages must be of a kind to affect the pricing of labor, and are more or less remote from those affecting the pricing of goods.

The upshot of the whole matter is clear in logic and in experience. Permanently to raise wages of any group of laborers, we must raise their productive power, or their utility, to the demander. To do that is to place them, by natural monopoly, in the class of the skilled, where their numbers are more or less limited relatively to the unskilled. In other words, supply is directly affected to the permanent advantage of those included. Thus the artificial monopoly of the union (which mistakenly aims at restriction of supply without an advance in quality) is avoided.

More than this, the mere receivers of wages, in bargaining for a definite wage before work is undertaken, thereby contract themselves out of risk. If the pricing of goods goes wrong and a loss to the employer results, the claim of the receiver of wages is unimpaired. But as the wage-getter is thus freed from all risk he is also cut off from all exceptional gains. The factor assuming industrial risk is the one that obtains all exceptional, or differential, gains or losses due to unexpected changes affecting the price of goods. In a young country like the United States a well-established business gains in volume by the mere growth of population and industry. Moreover, the resources and opportunities of such a country are but partly known, and are constantly opening to the enterprising man who can control capital. These new enterprises, since accompanied by more or less risk, if successful, bring in exceptional gains. In addition, the land of the new country rises in value as it is more densely settled; in fact, most farmers of the last generation have gained less by raising crops than by the rise in the price of land.

Consequently we are obliged not only by experience but by economic analysis to face the fact that the improvement of the wage-earning masses can be gained only by a policy quite different from the one accepted in the past, and which forms the essence of Unionism. To rise to a higher level the laborer must get some of the advantages possessed by the employer and the risk-taker, and thus obtain some of the inevitable differential gains characteristic of a new and growing country. In short, the true remedy for a healthy "social discontent" is more capital-

ism. Heterodox as this advice may seem, the more it is pondered the more practical, effective and successful it will prove.

The differences marking off the possessors of capital from those who have none are due, as already pointed out, to differences in training and in human qualities. There is no monopoly in existence to prevent any person from acquiring the power to weigh a future gain over against a present indulgence, to get self-control, patience, foresight, prudence, thrift, and good judgment. No one has been thus "disfranchised." If a person has these qualities, he inevitably becomes a possessor of savings, and is thus a capitalist. The qualities which come with the saving of capital will also work to restrict imprudent marriages and the birth of more children than can be properly fed and educated. In short, by directing attention to the development in the laborers of certain essential qualities, and calling upon all the educative forces of philanthropy and organized society to aid in that purpose, we shall answer "social discontent" by some permanent gains to industrial efficiency and wages, and bring to the support of the wage-earning masses the wide-reaching influences of capitalism.

COLLECTIVE BARGAINING¹

Organization of labor has become a recognized institution in all the civilized countries of the world. It has come to stay; it is full of usefulness and is necessary to the laborer. It shows serious defects at times and in some unions. These are an apparent willingness to accept benefits enforced through a fear of lawlessness, a disposition to use duress to compel laborers to join unions, and efforts to limit output and to create a dead level of wages, and thus wipe out the necessary and useful difference in compensation of those who are industrious and skillful and those who are lazy and do not strive to increase the product of the employer whom they serve.

These are evils that as the unions grow in wise and intelligent leadership we may well hope are being well minimized.

Much can be done by employers in anticipating just demands of employees. Workers have had too many instances of holding

¹ By William Howard Taft.

back of employers until they are forced to justice. Too many employers seek to justify failure to raise wages by pointing to their welfare work for their employees. This is of a paternal character and impresses the workers with the idea that they are being looked after as wards and not treated as men capable of exercising independent discretions to their welfare. They are apt to give the employers the idea that it is a generous concession they are making out of the goodness of their hearts and that they are not merely yielding a right for a quod pro quo for what they receive.

The most difficult persons to deal with are the extremists on both sides. On the side of labor there seems to be much suspicion by one leader or another, that few are willing to make a just concession, not because they don't recognize its justice, but because if they admit it they are charged with betraying the cause of labor. Thus they furnish to their rivals in leadership among workingmen the opportunity to undermine their standing with their fellows. This often puts the labor side in an indefensible position and offers to its enemies a basis for criticism that might easily be avoided.

On the other hand, there is among employers the bourbon, the man who never learns anything and never forgets anything; the man who says: "It is my legal right to manage my business as I choose, to pay such wages as I choose, to agree to such terms of employment as I choose, to exclude from my employment union men, because I don't approve of the tenets of the union, and to maintain a family arrangement of my own. I do fairly by my men; I pay them what I think is right, and they will not complain unless some outside union agent interferes. I run a closed non-union shop, and I am happy and propose to continue happy."

This man is far behind in the progress of our social civilization. He lacks breadth of vision extending beyond the confines of his shop. He looks to fear of courts and injunctions and police and militia as the ordinary and usual instruments for continuing his business peacefully and maintaining his rights. He is like the man who regards the threat of a divorce court as a proper and usual means of continuing domestic happiness. He does not recognize that we have advanced beyond the state in which employers and employees are mere laws unto themselves.

He does not see that the whole public is interested in indus-

trial peace. He does not see that the employers have certain duties social in their nature that are not defined and are not enforceable in law, but exist just as family duties of care and affection exist. He has not followed the growth of things.

As long as the system that he insists upon continued, individual laborers were at the mercy of their employers. Whatever they got was a concession. They could not maintain themselves in a contest with their employer, dependent as they were on their daily wage, and independent as he was with accumulated capital. That very unjust situation led to the organization of labor that the employee by massing contributions may maintain himself during an industrial struggle without wages.

This has come to collective bargaining, which is bargaining by the group system. A group of laborers knowing their rights and knowing how to maintain them, put themselves on a level with the employers, and the result reached is far nearer a just one than any before attained. That it may often be unjust, goes without saying, but so are all human attempts to reach the right line. Of course those individual laborers who do not see the advantage to them of the group system have a right to stay out and must be protected in doing so. But whether we will or not, the group system is here to stay, and every statesman and every man interested in public affairs must recognize that it has to be dealt with as a condition, to be favored in such a way as to minimize its abuses and to increase its utility.

The workingmen of the country since the war began and the importance of their group action has been emphasized by the requirements of the war, have been given a sense of power in their united action which we must recognize and deal with. Of course, they may abuse this power; and if so, they may find that they are not the entire community; but if under level-headed leadership they do not push it to an excess they will be able to do much for their members and indeed for the community at large.

The junkers and the hunkers on both sides must stand aside and will be set aside if common sense prevails. The danger from bolshevism is far greater than from reaction to the bour-bon type of employment. The intelligent and conservative leaders of the labor movement should be encouraged. Their difficulties in dealing with their extreme constituents should be recognized.

ETHICS OF COLLECTIVE BARGAINING¹*A British View*

Wage-Earners in Britain who have brought thought to bear upon the conditions of their employment have long been convinced that organization of the workers and collective contracts for the sale of labor were essential securities for a living wage and other elements of economic welfare. It was no social theory which brought this demand for collective bargaining to the forefront of labor policy, but the plain teaching of experience which led the individual worker to perceive the disadvantages of a forced sale of his productive energy to a wealthy buyer who was under less pressure to buy than he to sell, and who usually could drive down the price by reason of an over-supply in the labor market.

Under the pressure of this teaching, labor in many of our leading industries, mines, railways, docks, engineering shops, textile factories, printing works, etc., became so well-organized that bargaining between the unions and the organizations of the employers became the normal and accepted method of labor-contract. In many of these industries, there would remain a minority of unorganized workers forming non-union shops, or surviving as a negligible factor in strongly unionized businesses. Similarly on the side of the employers, there were firms which persistently stood out of the Association, insisting on the right and practice of special wage and other arrangements with their employees. This right of "free labor," or as it is called in America, the "open shop," was maintained even in the well-organized industries by an ever-dwindling minority of business. In less-organized trades, particularly where women and low-skilled men were largely employed, it had a stronger basis of survival.

And yet it would, I think, be a just generalization to assert that by the year 1914 (the great dividing line in modern history) the idea of individual labor-contracts as an equitable and socially-defensible method of getting labor for industry had become obsolete. In the case of skilled and well-organized trades it had been voluntarily displaced by collective bargaining of groups of employers and employed devising regular and elab-

¹ By J. A. Hobson. *The Standard*. 6:73-6. November, 1919.

orate agreements and point boards for adjustment of differences. In the case of more backward trades the notorious failure of individual contract to secure a living wage and other recent conditions of employment had already led to State interference under our Trade Boards Act, which in a number of "sweated industries" empowered joint boards, representing capital and labor with governmental assessors, to fix minimum wages. Unrest in the great staple industry of coal mining had already before the war led to the establishment under governmental auspices of district committees, representing operators and operatives in the mines, for regulation of wage and other conditions, while an integral part of the agricultural reform policy to which Mr. George had committed the Government, included the fixing of statutory minimum wages.

Thus in all parts of our industrial system the belief in and the practice of individual wage-contracts were rapidly disappearing. The criticisms of economists and employers of the old individualist school were met by pointing out that the system of individual bargaining would no longer work. Humanitarian feeling and sound civic sense condemned it as oppressive, degrading, and socially dangerous in the weaker trades, while in the stronger the enforcement by organization of a common rule for wages, hours and other conditions appeared indispensable if industrial peace and reliability of service were to be secured. In great modern industry the talk about the natural right of the individual firm to make its separate bargain with the individual worker was generally regarded as futile, having regard to the fact that one man's labor could only function in close, constant co-operation with the labor of hundreds and thousands of other workers. This large, co-operative basis of production demands a common rule for pay, hours and other conditions which is utterly unattainable by treating individual workers as separate free bargainers. This elemental truth of the modern economic system, apparent before the war, has been greatly enforced by the experience of war-industry in Britain.

It may justly be said that in Britain a whole generation of industrial evolution has been packed into these five crowded years of war emergency. Neither capital nor labor emerges from the war as it entered. In both a new level of organization and combination has been reached. Before the war, trusts were still regarded as distinctively American, cartels as German

bodies. It was, of course, known that fairly effective combines were operating in Britain as elsewhere, but they were regarded as exceptional and in most instances our free import policy was considered a sufficient security against monopolistic oppression. But during the war the processes of association and combination have been immensely accelerated in most of our essential industries. Not only were such services as railroads, coal mines, and shipping, engineering in its main branches, taken under state control, but the public regulation of the metal, textile, chemical, leather and other essential manufactures was such as to compel business which formerly had worked in independent competition to form close associations for materials, costing and prices. After the war was over this enforced association could not disappear. Railroads and mines could not return to the era of free competition. The hold which government still retained over many supplies of raw materials and over prices obliged the manufacturers to look closely to their associations. Even, when these war-shortages shall have passed away, there is no probability of a return to pre-war competition. Cartels or other associations for buying and selling, trade arrangements for the regulation of output, distribution of markets, and the fixing of profitable prices are in existence or in proposition everywhere among our great manufacturing industries.

A similar stimulus has been given to the organization of labor. The numbers and strength of the great Trade Unions have grown. Some five millions of our wage-earners are now unionized, mostly in the essential industries. Not only in the advanced trades, such as cotton, ship-building, leather, printing, but in many of the relatively backward trades, such as agriculture and the clothing trades, individual bargaining has now become impossible. It has been displaced by the common rule, imposed by agreement of the representatives of employers and employed throughout the trade, and enforced in some instances by legal regulation.

Although these methods of regulating wages and other conditions of employment by collective bargaining are far from perfection, they are recognized as a distinct advance upon the old method of individual wage-contract. Doubtless neither complete economic justice nor secure industrial peace is attainable by collective bargaining. For upon this plane there is reached no final determination of a "fair wage" or a "reasonable price."

The relative economic force of the two parties still remains the chief determinant. But in Britain there is no disposition to go back to the individual bargain or the open shop. The minds of all our intelligent employers and labor leaders are directed towards improving and perfecting the methods of collective bargaining, so as to bring into play adequate incentives towards that more secure and more productive functioning of industry which is essential to industrial peace and progress in the new order of society.

The recommendations of the Whitley Committee in favor of establishing Industrial Councils and Workshop Committees, equally representative of capital and labor, for the regular discussion and settlement of all matters affecting the conditions of employment and the general welfare of the trade, have been generally accepted by all classes, except the extremists on the "right" of the employers and the "left" of the workers. The idea is to introduce, alike into the national trade, the several industries and their constituent establishments, a genuine form of representative government, in which capital and labor should have an equal share. This is the first full recognition that labor is no longer to be treated as a mere commodity, but that it is entitled to a large participation in the control of the conditions under which it functions for the service of society.

To Socialists and to a section of our new Guild Socialists, these joint committees, adopted by many of our trades and accepted by several branches of our public services, appear to be unsatisfactory compromises, designed to buy off more revolutionary changes. And it is not difficult to show that, if the capital and labor engaged in certain fundamental industries were brought into close combination and were left in full control of selling prices, they might establish a most dangerous oppression over the consuming public. For it is not yet sufficiently realized that the market, or consuming public, is an integral part of every industry, and needs adequate representation in the control of that industry, so far as output, quality of services and prices are concerned.

There are also other defects in the joint committee, regarded as a final method of industrial peace. But the real significance of the experiment consists in the fact that it rests upon the definite repudiation of the free individual labor contract. It formally presumes at each stage in its operation the existence of associations of employers on the one side, workers on the

other, and regards the decisions made by agreement of their representatives as the accepted rules for the working of the whole establishment or trade. The adoption of such representative councils would be a practical, though not a legal, compulsion, both on employers and workers to take up membership of their Association or Trade Union, in order to take part in forming and administering the common rules of the trade.

This is the new level of conscious combination and representation which has been reached in Britain, and which is generally accepted as the minimum concession to the demand of labor for an effective voice in determining the conditions of its employment. The old insistence of the capitalist-employer, that he would brook no interference with his absolute right to run his business as he thought fit, and buy his labor by separate agreement in a free labor market at any price for which he could obtain it, has virtually disappeared. It is recognized as impracticable and out of accord with the new conception of industries as social services. For this lesson of the social meaning of an industry, our war-experience has surely taught. During the war it was thought and felt by the nation that the business of employer and worker in the mines and shipyards was to turn out coal and ships, not to make dividends or wages, and that the farmer's business was to use his land so as to produce the largest quantity of food. Underneath all the greedy profiteering, this general sense that an industry was a social service and that the life of the nation depended on its efficient operation obtained powerful recognition. Some of this genuinely humanist conception of industry has survived. The conception of trade as a competitive struggle between rival businesses, and of a business as a private profiteering instrument, which bought its labor as it bought its raw materials or its fuel, is no longer possible. Businesses are not going to continue the waste of a cutthroat competition. They are going to combine. Labor is no longer going to sell itself in hourly or weekly units of the individual worker, but in long-period collective flows under regulations of price and hours and hygiene which shall check the inhuman encroachments of the machine, and win for the people in their capacity of producers, consumers and citizens the fruits of human industry. The fact that war-conditions have left a heavy legacy of suspicion and class-hate and have by a natural suggestion turned the belief in force as a remedy from the international into the intestinal struggle, must not

blind us to the importance of the new experiments in the co-operation of industrial factors or lead us to a premature dismissal of these experiments in industrial democracy.

COLLECTIVE BARGAINING IN THE GLASS BOTTLE INDUSTRY¹

The agreement between the Glass Bottle Blowers' Association and the National Glass Vial and Bottle Manufacturers' Association furnishes an impressive and an instructive exhibit of the feasibility of carrying on for a long term of years a peaceful and mutually agreeable system of collective bargaining. While friction between the parties to the agreement has at times been great and while the agreement has often been almost at the breaking point, yet so enlightened has been the policy of the representatives of both the union and the manufacturers' association in granting concessions and in yielding upon disputed points, that the agreement has operated, in one form or another, for almost a quarter of a century. Nor have external conditions been particularly favorable to the continued life of the agreement. The technical revolution of the industry, beginning in the middle nineties with the installation of the so-called "semi-automatic" machine and intensified after 1900 by the invention and the later extensive use of the Owens automatic machine for the manufacture of glass bottles, has presented to the conferences of the manufactures and their employees problems that every year become more perplexing and more difficult of solution. The promulgation of working rules to govern those members of the union who were employed on the semi-automatic machines, the regulation of the wage scale so as to retain a fair wage for the glass blower and at the same time to permit the employer of hand blowers to compete against the machine, and finally a new adjustment of wage scales designed to meet the competition of the automatic, are a few of the problems which have received at the hands of the annual conference, if not a perfect solution, at least a workable settlement.

¹ By Leo Wolman. *American Economic Review*. 6:550-67. September 1916. The material presented in this paper was collected by the writer while an agent of the United States Commission on Industrial Relations.

History and General Description of the Agreement

The glass bottle blowers were organized originally not in one national organization but in the separate and independent Eastern and Western Leagues of Green Glass Bottle Blowers. In 1886 the Western League became affiliated with the Knights of Labor as District Assembly 143 of that organization and in the same year the Eastern League was affiliated as District Assembly 149. As early as 1886, also, there is record of annual conferences between the Eastern and Western Leagues of blowers and of loosely organized associations of Eastern and Western bottle manufacturers. The fact, however, that the organizations in these two sections of the country often worked at cross purposes and that concessions from the one would at times be used to force similar concessions from the other, coupled with the fact that the frequent passage of journeymen blowers from district to district made the disciplining of their membership difficult, soon led to a movement to amalgamate the Western and Eastern Leagues of Glass Bottle Blowers into one national organization.

In 1890, accordingly, the Eastern and Western Leagues united in one body under the title of the National Trade Assembly 143, Knights of Labor of America. And in July, 1891, the assembly withdrew from the Knights of Labor to become the Green Glass Bottle Blowers' Association of the United States and Canada. With the formation, then, of the national organization of glass bottle blowers in 1890, the sectional conferences of preceding years were succeeded by national conferences between representatives of the union and of the manufacturers.

During the first few years following the amalgamation, evidence of the conflicting interests of the Western and Eastern manufacturers could still be found. Thus, at the conference of 1890, although an agreement could have been effected with the Western manufacturers, the chairman of the conference stated that he could not promise that the Eastern manufacturers would be bound by the findings of the conference. Later, the Eastern manufacturers actually withdrew from the conference. Indeed, it was at that time the opinion of the officers of the union that the "Eastern and Western manufacturers were evidently trying to effect a settlement independently of each other to create discontent" in the ranks of the union. But since the union would

treat only with a joint committee representing the manufacturers from both sections of the country, the manufacturers were unsuccessful in their efforts to revert to the earlier sectional conferences. With the gradual development of the machinery of the conferences and with the growth in mutual confidence of the parties to the conferences, the conflicting interests of the different sections became less pressing and the manufacturers' association developed into a more compact and more homogeneous organization.

Prior to 1899 it had been customary to hold annually one wage conference either in the month of July or August, usually several weeks after the union and the manufacturers' association had held their annual conventions. But this system was soon found to be open to serious objections. A single annual conference at which were submitted by the conferees demands and counterdemands whose purport was known only to their sponsors precluded, in the judgment of both the manufacturers and their employees, that familiarity with the propositions which is essential to their intelligent consideration. The plan was therefore adopted of holding a preliminary conference in May at which would be submitted the demands of both parties. Those questions upon which there was little disagreement would be settled at this preliminary conference. The more debatable propositions would next revert to the annual conventions of both associations for further discussion and would then in July or August be submitted to the final conference for final disposition.

The value of such a preliminary conference was at once observed. President Hayes of the Glass Bottle Blowers' Association writes in 1900:

The amount of work done at the May conference this year in the way of listing bottles and discussing important questions proves that this preliminary meeting of the wage committees has become a vital necessity, unless, indeed, we are desirous of a protracted wage conference later on, or possibly two or three separate ones, which may be prolonged to such an extent as to delay or hamper the beginning of work in the fall. At the May meeting we hear the manufacturers' side of the story, and are, therefore, enabled to lay it before the convention for discussion and counsel. This is right and proper, as it is a matter of duty for us to view all questions from both sides, and it would be neither just nor safe for us to legislate with only a one-sided knowledge of matters upon which the trade depends so much for successful operation.

With the establishment and successful operation of the preliminary conference, elaborate rules, regulating the conduct of the preliminary and final conferences, were formulated. Of the rules regulating both conferences, the most important were (1) the rule providing that no question which had not been brought

before the preliminary conference would be considered at the final conference and (2) the provision for the submission of questions by the parties to the conference.¹

The agreements made before 1902 laid down the working rules and price lists for each year but made no provision for the adjustment of questions arising between the annual conferences. There was, to be sure, the rule stating that "all ware not specified in the list shall be rated at the same price and subject to the same rules, in regard to weight, as those specified in the list which they resemble in size, shape, weight, and finish."

This clause did not, however, specify who was to settle disputes arising from disagreements in assigning new bottles to various brackets, nor upon whom was to devolve the duty of interpreting the many rules included in the annual agreements. This link in the agreement was supplied at the conference in 1902. At the suggestion of the manufacturers, the President of the Blowers' Association was chosen as the officer to whom "all information wanted in regard to the intent or meaning of rules and regulations shall be referred." It was further provided that his decision was binding until reported to and revised by the joint conference.

As in the case of all matters included in the annual agreements between the bottle blowers' union and the bottle manufacturers, the rules providing a mechanism for the adjustment of disputes arising between the final conference of one year and the preliminary conference of the succeeding year have since 1902 undergone some modification and considerable amplification and exist at present in the following form:

All information wanted in regard to the intention or meaning of the rules, regulations and prices shall be referred to the President of the Blowers' Organization, whose decision in all such cases shall be binding unless said decision is reversed by the Joint Wage Preliminary Conference in the case of a protest.

Manufacturers who desire to protest against a decision of the President shall serve notice in writing on the Branch in their locality of their intentions to protest, and shall also notify the President of both the Manufacturers' and Blowers' organizations of the protest; this notice shall contain all information necessary for a proper review of the case protested. Said notice shall be served not later than thirty days prior to the first day of the Preliminary Conference.

¹ The manner in which questions are submitted to the conference is described in the following clause of the agreement: "Manufacturers and branches shall notify each other of all bottles or changes intended to be submitted to the May conference, and the reason for so submitting them, which notice shall be in writing. The branches shall send such written notices to the President of the Glass Bottle Blowers' Association and the manufacturers shall send their written notices to the President of the National Vial and Bottle Manufacturers' Association." (*Wage Scale and Working Rules—Glass Bottle Blowers' Association. Blast, 1914-1915, secs. 42-44.*)

Protests on decisions made between April 1st and July 31st shall be reviewed at the Final Conference with notice as above stated, to be served no later than August 1st.

No case in protest shall be reviewed by either conference unless the foregoing has been fully compiled with.¹

Originally, when a clear line of demarcation existed between the flint glass bottle workers and the green glass bottle makers, the union of green glass bottle makers, the parent organization of the present Glass Bottle Blowers' Association, held wage conferences with the association of green glass bottle manufacturers. Later, however, with the introduction of the tank and the extension of its jurisdiction over all bottle makers whether blowing bottles from tanks or covered pots, the union held separate conferences with the green glass and with covered-pot manufacturers. At the conference of the representatives of the union with the representatives of the Flint Bottle Manufacturers' Association for the purpose of fixing prices and rules to govern the manufacture of covered-pot ware for the season of 1902-1903, the chairman of the conference, a manufacturer, stated "that in his opinion all matters pertaining to the making of bottles should be settled by one committee, but that while the blowers were practically all in one association, the manufacturers were unfortunately divided into two, hence" the necessity for two conferences. In the following year, therefore, the scope of the manufacturers' organization was widened, to include all persons engaged in the manufacture of glass bottles; and a sub-committee was thereafter annually appointed to consider questions that might arise between the covered-pot manufacturers and their employees. Now that the manufacturers of covered-pot ware have been admitted into the employers' association, the Glass Bottle Blowers' Association holds annually a preliminary and a final conference with the representatives of one manufacturers' association, the National Glass Vial and Bottle Manufacturers' Association. At these conferences there are drawn four distinct sets of price scales and working rules. (a) One governs the manufacturers and employees engaged in the hand manufacture of glass from the tank; (b) another governs the manufacture of covered-pot ware; (c) a third relates to rates and rules for the semi-automatic machine in the manufacture of wide-mouth ware; and the last (d) constitutes the wage scale and working rules governing the "United and the O'Neill and the one and two man narrow-mouth machines."

¹ *Wage Scale and Working Rules—Glass Bottle Blowers' Association, Blast 1914-1915, sec. 45.*

The essential features, then, of the agreement between the Glass Bottle Blowers' Association and the National Bottle Manufacturers' Association are:

a. The provision for annual preliminary and final conferences for the discussion and settlement of working rules and wage rates.

b. The machinery for the settlement of disputes arising between the conferences and for the review of these settlements.

c. The promulgation of price lists and working rules for the four divisions of the industry: the tank, covered-pot, semi-automatic wide-mouth, and semi-automatic narrow-mouth ware.

The Employers' Association

The National Glass Vial and Bottle Manufacturers' Association existed before 1890 as the Western and Eastern Associations of Green Glass Bottle Manufacturers. These associations were loosely organized bodies that existed principally for the purpose of holding wage conferences with the Eastern and Western Leagues of Green Glass Bottle Blowers. With the amalgamation of those organizations in 1890 the manufacturers effected a somewhat similar combination which apparently confined itself to the selection of representatives to the annual national wage conferences with the United Green Glass Bottle Blowers' Association. Later, upon the absorption by the Glass Bottle Blowers' Union of all branches of the trade, the employers' association similarly extended its jurisdiction. In the constitution revised and amended in 1902, it is stated that the association admits into membership "any person who manufactures glass vials and bottles in tanks or open pots and employs workmen under the jurisdiction of the Glass Bottle Blowers' Association." An amendment to the constitution is now pending which would admit into membership "any person who manufactures glass bottles and jars, either from tanks or from open or covered pots."

The officers of the organization consist of president, vice-president, secretary, and treasurer elected annually by ballot and of an executive committee appointed annually by the president. This committee, together with the officers of the organization, constitute the representatives of the association at the annual conferences. Meetings of the association are held annually between the preliminary and final joint wage conferences and are occupied almost exclusively with the discussion of issues raised in the preliminary conference.

The association practically restricts its activities to those of collective bargaining. The object of the association has been

to increase the mutual acquaintance of all persons engaged in the manufacture of vials and bottles; to exchange views on the various subjects that are of general interest; to look after any tariff legislation affecting the welfare of the business; to attend as far as possible to any changes or discriminations in the classifications made by railroads on the line of goods manufactured and handled by the association; to meet with the Blowers' Executive Board as often as may be necessary each year to fix a uniform scale of wages for blowing the various kinds of vials and bottles manufactured for the trade; to establish rules and regulations for the government of all factories throughout the United States and Canada; . . .

Although provision is made for tariff and railroad committees, the organization has shown little activity in this direction.

The relations of the association and the Glass Bottle Blowers' Union have on several occasions been almost at the breaking point and several of the conferences have adjourned without reaching an agreement. The organization, however, has never become a hostile association and no record is extant of its having sanctioned, as an association, even isolated acts of hostility toward the blowers' organization. In a few cases, to be sure, it has been unable to prevent members from violating the agreement; persistent violation would, however, result in the expulsion of the member from the association.

The association has never adopted any system of fines for the disciplining of its members either for the violation of edicts of the association or of the terms of the joint agreements. Nor did it have until recently any settled policy toward the union manufacturers not members of the association. For some time, such manufacturers were permitted to attend the conferences, to submit propositions, and to request reviews of the decisions of the president of the blowers' association. At the final conference in 1913, however, it was announced that the following resolutions had been adopted by the National Vial and Bottle Manufacturers' Association:

Whereas, There are a number of Bottle and Jar manufacturers throughout the United States and Canada, employing members of the Glass Bottle Blowers' Association who have heretofore received practically all the benefits derived from the action of the Joint Wage Conference, without becoming members of the National Vial and Bottle Manufacturers' Association, or without contributing towards paying the necessary expenses connected therewith. Some have declared they would get along better without the association or without a Joint Wage Conference. Others declare there is nothing to be gained by membership in the organization so long as they are able to obtain the benefits therefrom without sharing in the expenses, and by not being members they argue that they are not bound by the action of the Joint Wage Conference, yet they gladly accept and make use of all decisions of said conference that pleases them, therefore be it

Resolved: That the members of our Executive Committee, when in conference with the workmen's committee, be and are hereby instructed

to decline hereafter to consider any disputes, grievances, etc., or the listing of bottles, their prices or classifications or any other matters arising in a factory the management of which is in no way affiliated with the National Vial and Bottle Manufacturers' Association that may come before the Joint Conference either directly or indirectly, thus leaving all such matters to be decided by the President of the Glass Bottle Blowers' Association, whose decisions shall be final in so far as they pertain to the particular factory, but any decision he shall make in such cases shall not be construed as establishing a precedent, nor shall it be applied to or be binding upon other factories, but it is understood that any decision thus rendered, shall upon application by any member of this association, be subject to review by the Joint Wage Conference.

These resolutions for a time nonplussed the representatives of the union. "While this was a rather extraordinary proceeding," writes the secretary of the blowers' association concerning these resolutions, "still we could not but agree with them in their contentions. Our association will, therefore, exercise its best judgment in dealing with those who do not belong to the above-mentioned association, dealing as we have always done, fairly and impartially with all." The net effect of this action of the employers' association is to leave the independent union manufacturers in almost the same condition as before. They are granted by the union the same working conditions and the same prices as operate in the establishments of those manufacturers belonging to the organization. There is this difference, however, the independent manufacturers have no organization to which they can appeal for a review of the decisions of the president of the blowers' union.

The skilled branch of the glass bottle industry is about 90 per cent organized. During the nineties and the early part of the last decade strong non-union centers were to be found in New Jersey, western Pennsylvania, and Indiana. Vigorous organizing campaigns by the union resulted in the organization of many of the non-union plants; until today a high degree of organization has been reached. To a considerable extent, however, non-unionism still flourishes in the gas belt of Indiana and in Western Pennsylvania. Of the union manufacturers, the majority are members of the employers' association; and the resolution adopted in 1913 resulted in the entrance of about thirty-five independent manufacturers. Those who still remain without the association feel that the benefits to be gained are not worth the expense of membership, inasmuch as they receive the same terms from the union as do those manufacturers belonging to the association. It has also been said that a number of these independent manufacturers join the association when they have grievances to be considered and withdraw when their grievances are passed upon and adjusted.

The Making of the Agreement

Unlike those national agreements which provide only the machinery for the settlement of disputes and which leave to the local unions the formulation of working rules and, in some cases, wage rates, this agreement fixes in detail practically all of the conditions of employment of the glass bottle makers. The local unions can legislate only upon such matters as are concerned with the internal government of the union. When, however, some unforeseen question arises during the year, an attempt is first made to settle the matter in conference between the factory committee¹ and the employer, and if they are unable to arrive at an agreement, the question is referred to the president of the union.

All questions relating to prices and rules, which are not settled to the satisfaction of both parties during the year, and those matters, already in the agreement, which one or the other parties wishes to have amended, are considered at the May preliminary conference. The questions not settled at this conference and those arising between the preliminary and final conferences receive consideration at the latter conference. The matters upon which adjudication is desired are usually submitted to the conferences in the form of resolutions from local unions or of requests from individual manufacturers; but all of such resolutions and requests must conform to the *modus operandi* described earlier in this paper.

The members of the executive board of the Glass Bottle Blowers' Association act as the representatives of the union at the conference. These members are elected annually at the convention of their organization and hold office, therefore, only for one year. Although the acts of the representatives of the union thus frequently become the subject of review by their constituents, the union conferees have throughout the conference debates shown unusual independence of judgment. That, however, their conduct has reflected the mature opinions of the majority of the union is attested by the fact that many of the members of the executive board have been reelected over a number of years. Indeed, the president of the association, an *ex-officio* member of the board has now held that position for almost twenty years.

The representatives of the union have full power to settle

¹ The factory committee is a committee of workmen in a shop chosen by the employees in that shop to represent them in conferences with the employer.

questions without referring the matter back to their organization. Nor do they go to the conferences instructed to take one stand or another. Attempts have, to be sure, been made from time to time to instruct the representatives to follow out a certain line of action or to strip them of the authority to settle the more important questions arising at the conference. These attempts have, however, always been met by the concerted opposition of the officers and of the majority of the membership. Thus, early in the history of the agreements resolutions were introduced at a convention removing the power from the conferees to settle anything relating to price lists, apprentice laws, or market money. These resolutions were received with the following comment from the president of the union:

To adopt the amendment would simply deprive your officers of all executive power and make them mere figure-heads to represent the organization. Take away the power to concede or alter anything in the price list, apprentice law or market money and you leave nothing of any importance on which to treat with the manufacturers' wage committee. No committee of manufacturers would meet your committee unless it had full power to act and bind the association and if this convention takes this power from them, it would be more sensible to put your demands on paper and send them by post saying that such is the will of the conventions than to send your representatives there merely to state it. This convention does not represent all the glass trade, only the working portion of it. Your employers represent the other portion. They also have an association and appoint a committee to present their demands in conference. If they adopt the same principle as is embodied in this resolution or amendment giving their committee no power to act on the main questions, do you for a moment think a settlement would ever be effected? No man with any self respect could accept office under such restrictions.

Again in 1906 the attempt was made to instruct the representatives of the union on a definite proposition. Here, too, the attempt was unsuccessful. In this case, the resolution providing that the "30th annual convention instruct our President and Executive Board to entertain no proposition for reduction in wages the coming season" was replaced by the resolution "that it is the sense of the convention that we do not deem it advisable to accept a reduction for the coming season."

The members of the executive board of the manufacturers' association are similarly the representatives of that organization at the annual wage conferences. Instead, however, of being elected annually by the convention they are appointed annually by the president of the organization. Like the union conferees, they are sent to the conferences uninstructed. But here, as in the case of the union, dissatisfaction with the work of their representatives has at times been expressed by manufacturers. These objections have arisen generally from two sources. In the first place, the manufacturers of hand-made ware have long protested that their representation upon the wage committee has

been inadequate and that all legislation is framed to benefit the machine manufacturers at their expense. Accordingly, in 1912 a number of the hand manufacturers withdrew from the annual conferences on the ground that those conferences were "dominated by the machine manufacturers and we do not care to have the machine manufacturers adjust the wages for the hand blown." The other protest arises from those manufacturers who feel that their executive committee has not presented the case of the manufacturers as vigorously as it might, nor has it been insistent enough in pressing their demands. From these feelings grew out the request that the president appoint, in addition to the usual committee, two alternates to be selected "from the twenty or more members who have protested present conditions" with the power to attend the wage conference.

At the preliminary conference of 1914 a number of manufacturers and members of the National Bottle Manufacturers' Association "asked permission to confer with the members of the committee representing the manufacturers and desired to be heard concerning matters in which they were interested." Their request was granted. When the meeting was called to order, it was announced

that the meeting would be of an informal nature and each person present was permitted to talk upon any matters that were coming before the Joint Wage Committee. . . . Nearly all of the visiting members had more or less to say, and many things were explained in regard to the methods and manner of conducting the conferences. . . . The visiting members stated, later, that they had learned many things concerning the Joint Conference which they did not know, and before retiring expressed themselves as being much better satisfied than when they came.

While these movements of protest have no doubt exerted some influence on the conduct of the conferees, neither in the case of the union nor in that of the manufacturers' association, have they effected any change in policy concerning the relation of the representatives to their respective organizations. All representatives attend the annual conferences as exponents of the sentiments of their constituents; rarely, however, do they attend bound by specific instructions.

No formal system of voting is provided for in the agreement, but it is the prevailing practice in the conferences for the manufacturers' representatives and for those of the union to vote as units. A mere majority of the members present, therefore, is not sufficient to carry a measure. The measure must be agreeable to a majority of the representatives of each party before it can become a part of the agreement.

On several occasions the conferences have resulted in 'dead-

locks. Under such conditions it has been the custom for the conference to adjourn and for the majority of the establishments to resume operation under rules and prices of the preceding year in the hope that the following year would find the union or the manufacturers less obdurate. The climax of a series of demands by the manufacturers for substantial reductions in piece rates came in 1906 when the representatives of the employers persisted in demanding reductions which the union refused to grant. During the debate on the proposition, Mr Ralston, president of the manufacturers' association, suggested that "the matter be submitted for arbitration to a judge of the courts." The suggestion was not acted upon. Indeed, the consensus of opinion in the trade seems to be opposed to the submission of major issues to arbitration. Both employers and employees prefer to thresh out the matters in conference and, when it is found to be impossible to reach an agreement, to work in a state of armed truce for one or more years under the rules of previous years.

When it was stated above that in the event of a deadlock the manufacturers would open their plants under the rules and prices in operation during the preceding year, it should have been noted that these resumptions of work frequently took place some time after the annual conference had adjourned. During this period between the adjournment of the conference and the acceptance by the manufacturers of the union's ultimatum, the agreement may be said to have been suspended. For example, at the conferences in 1905, the manufacturers demanded a general reduction in piece rates of $33\frac{1}{3}$ per cent. This reduction the union would not concede. The manufacturers, therefore, moved to adjourn without setting a date for a further conference. On September 1, 1905, the president of the Glass Bottle Blowers' Association issued a circular letter containing the following statement:

Up to the present we have heard nothing from the manufacturers' association. Those among their members who insisted on a reduction and favored adjourning the conference until the same was secured will doubtless remain idle as long as they possibly can. While others in that association, coupled with the independent manufacturers, will begin starting their factories early this month.¹

¹They could open their factories and employ members of the union under the previous season's list and rules; for on August 8, 1905, President Hayes had issued the following circular letter to the trade: "Manufacturers who desire can engage our members to work by agreeing to pay last season's wages, and if any of them are doubtful about our ability to hold out and want assurance that they will be given the benefit of any settlement that may hereafter be made different from that which we demanded (last year's list and rules), branches are authorized to say to such employers that they will be given the advantage of any settlement that may be made later on and from the date upon which they started to work."

From this statement it is seen that for several months, at least, after the adjournment of the final conference, the industry was virtually in a state of lockout, or, more accurately, the agreement was temporarily suspended. The same situation arose in 1909. Again the manufacturers' demand for a substantial reduction had been refused by the union. Accordingly the conference of July 26, 1909, disbanded; and the manufacturers did not open their plants. Early in September, however, the American Bottle Company agreed to accept the concessions of the union. Moved by this break in its ranks, the manufacturers' association sought another conference at which an agreement was finally reached.

In both instances, and in fact in all other similar cases during the life of the agreement, the strength of the union, in that it is virtually impossible to run non-union shops in the glass bottle industry, forced the employers to resume operation under conditions not entirely satisfactory to them.

Technically, of course, this delay in opening a plant might be described as a lockout. It has, however, not been so regarded by the parties to the agreement. Even though conferences were adjourned without reaching any agreement and the manufacturers were forced, probably because of the superior strength of the blowers' organization, to employ the men at terms unsatisfactory to themselves, yet in the following year they showed confidence in the efficacy of a system of collective bargaining by again entering the conferences with their employees.

The Settlement of Disputes Arising Under the Agreement

In an agreement which specifies, in such detail as does the present one, practically all of the conditions of employment, the matters which arise during the year are as a rule purely interpretations of the agreement. For example, a new bottle is introduced in one of the factories and a dispute ensues as to the price to be paid for blowing the bottle; since the agreement states that the bottle shall "be rated at the same price and subject to the same rules in regard to weight, as those specified in the bracket which they resemble in size, shape, weight and finish," but little room is left for any great differences of opinion. The same might be said of any question that might conceivably arise under the agreement. So inclusive are the annual agreements and so definite are their terms, that probably the majority of disputes arising in various localities are settled by merely turning

to a particular rule in the agreement and applying it to the case in point. On the other hand, disputes have been observed under the agreement where there was no question of the interpretation of rules, but where one or the other of the parties deliberately violated or disregarded the agreement.

The first step in the adjustment of disputes under the agreement consists in referring the matter to a conference of the employer and a factory committee. Most disputes are settled in that conference. When, however, the conferees are unable to agree, the question is referred for settlement either to the president of the union or to one of the executive board of that organization whom the president designates as his representative. The president's decisions are final unless reversed at the following joint conference. Although the president of the union has been acting as arbitrator since 1902, his decisions have been but rarely reversed. The great majority of his adjudications are concerned with the determination of prices on new ware, samples of which are sent to the central office of the union for his inspection. In those cases where he has decided upon a certain price and that price is found by the joint conference to have been too high, the manufacturer is reimbursed for the excess wage payments; conversely, a decision in favor of the employer, which might be reversed by the joint conference, forces the employer to make up the difference in wages. Instituted originally at the suggestion of the employers, the system of delegating to the president of the union the power of interpreting rules and of settling disputes has, during its existence of twelve years or more, worked admirably. With hardly an exception the decisions made by the president during his incumbency have met with general approval; and no record is as yet to be found of any suggestions, from either workman or manufacturer, which would so modify that section of the agreement as to remove from the president of the Glass Bottle Blowers' Association his present powers.

The history of the operation of the agreement has been notably free from strikes and lockouts. The great centralization of power in the hands of the national organization and the apparent general opinion among the members of the union that such centralization is wise, has resulted in a universal support by the subordinate unions of the mandates of their national officers and of the decisions of the joint conferences. When, for example, a general reduction in piece rates was adopted by the

conference, several local unions in San Francisco expressed their dissatisfaction with the agreement and struck. This violation of the agreement was met with prompt action by the national officers who ordered the strikers back to work. The strikers first denied that they had stopped work, but after a few days, when the charge was proved, they returned to work under the prices and rules against which they had revolted. The action of the national officers was upheld later by the national convention of the union.

Similarly, among the manufacturers, the attempts to violate the agreement by locking out the employees or by running shops under rules contrary to those adopted by the conference have been few and far between. In this case, however, compulsion upon the manufacturers has not come from the 'manufacturers' association. This organization, unlike the Glass Bottle Blowers' Association, has little control over its members and can, therefore, do little in forcing its members to observe the terms of the joint agreements. The following debate at the conference of 1905 indicates the position of the manufacturers' association in enforcing upon its members the decisions of the joint conference:

Mr. Hayes stated that it was a sort of rule among his predecessors at these conferences to ask the manufacturers whether they would abide by the decisions of the conference, but such a course has not been his policy, because he always assumed that the agreement would be lived up to by all of the manufacturers represented by the committee, but during the past year some had violated the agreement and some had intimated that the Executive Committee has been accused of extending special favors to some manufacturers while refusing them to others. . . . The chairman (a manufacturer) stated that when the agreement is signed it becomes a moral obligation of all manufacturers employing union labor to live up to them, but that there was nothing in the hands of the committee or the individual members thereof to enforce them. Any manufacturer could refuse to obey them, the power to enforce being wholly in the hands of the blowers.

Although the power to compel obedience to the agreement and to the decisions of the president of the blowers' association in his settlement of disputes resides in neither the employers association nor the union, yet the desire of the manufacturers generally to avoid any action that might lead to a discontinuance of the annual conference and the strength of the union, which enables it to bring recalcitrant employers into line by threatening to withdraw their working force, are the two factors which operate to prevent more frequent and more serious breaches of the agreement.

It will have been observed in the foregoing discussion that the few suspensions of the agreement have arisen not from dis-

satisfaction with the adjudications of minor issues under the agreement, but have in reality constituted revolts against the settlement of the major issues embodied in the agreement. For instance, at the preliminary conference of 1909, Mr. Hayes reported that some of the manufacturers had refused to be bound by the agreement and had operated their factories during the so-called "summer stop" agreed upon by the last conference.

Here, obviously, there was no question of the interpretation or application of a rule of the agreement, but a deliberate disregard of a rule whose meaning and intent was plain. This situation which is in a way a typical one suggests the following general proposition concerning the operation of the agreement: Where the national agreement lays down in detail working rules and piece rates, leaving to local adjustment matters of purely secondary importance, the disputes arising between conferences are likely to be, as they are in this particular instance, protests not against interpretation of the agreement, though there are undoubtedly some disputes of such a character, but against attempts to enforce the plain letter of the agreement. The remote design behind such protests is, of course, the desire to stir up a sentiment against the objectionable practice or rule and to have that rule amended or rejected at the following conference.

The practical absence of any widespread violation of the agreement can be attributed primarily to two factors: (a) the character of the persons in the industry and (b) the national character of the agreement.

a. The members of the Glass Bottle Blowers' Association have always been and are today highly skilled workmen, whose earnings were for many years far above those of skilled workmen in other industries. The high wages earned and the skill required to perform the work have apparently combined to form workmen of conservative instincts and of mature judgment. The character of the workmen has again and again been evidenced in the selection of officers of a high type and in the general support by the membership of such legislation, as the voluntary reduction of piece rates, which would in other industries have engendered the deepest hostility among the rank and file of the organization. In addition, problems following the introduction of machinery of the gravest import to all members have been met, if not always with perfect assurance and without petty squabbles, at least in an open-minded and intelligent fashion.

b. The national character of the agreement, which lodges in the national officers of the union the responsibility for the content of the agreement and for its enforcement, imposes upon these officials a personal interest in the successful working of the agreement which makes for a more diligent and more stringent enforcement of its terms.

From the standpoint of the machinery of the agreement, also, that clause which designates the president of the blowers' association as the arbiter of inter-conference disputes, probably inspires in the members of the union a respect for the agreement and a belief in its fairness which might otherwise not have existed. The adherence of the employers to the agreement is perhaps even easier to explain. In the first place, this system of collective bargaining, by maintaining uniform wage scales and working rules throughout the whole of the industry has eliminated the objectionable inequalities, as between different employers, that are inevitable accompaniment of a decentralized system of collective bargaining. Second, the history of the agreement has been such as to modify to a considerable degree the attitude of the employers toward their workmen. For on three different occasions the union, after much pressure to be sure, has agreed to substantial reductions in wage rates.

PRESENT INDUSTRIAL ISSUES¹

The attention of the members of the American Iron and Steel Institute has of late been focussed on the attempt of leaders in the American Federation of Labor to unionize the iron and steel industry of this country.

The present campaign was started at St. Paul, Minn., June 13, 1918, by the adoption of a resolution introduced by delegate W. Z. Foster, couched in the following language:

Whereas, The organization of the vast armies of wage earners employed in the steel industries is vitally necessary to the further spread of industrial democracy in America; and

Whereas, Organized Labor can accomplish this great task only by putting forth a tremendous effort; therefore, be it

Resolved, That the executive officers of the American Federation of Labor stand instructed to call a conference, during this convention, of

¹ By Elbert H. Gary. From an address before the American Iron and Steel Institute, New York City, October 24, 1919. Judge Gary is head of the United States Steel Corporation and was a member of President Wilson's White House Conference which was called to find some method of bringing capital and labor together and bringing about a full resumption of economic effort.

delegates of all international unions whose interests are involved in the steel industries, and of all the State Federation and City Central bodies in the steel districts, for the purpose of uniting all these organizations into one mighty drive to organize the steel plants of America.

The movement appears to have proceeded, under the general direction of Foster, without much result until June 13, 1919, when another resolution was adopted by the American Federation of Labor at a meeting held in Atlantic City, which reads as follows:

Whereas, Every labor union in America, regardless of its trade or industry, has a direct and positive interest in the organization of the workers in the iron and steel industry, because the accomplishment of this vital task will greatly weaken the opposition of employers everywhere, to the extension of trade unionism and the establishment of decent conditions of work and wages; and

Whereas, The organizing force now in the field working upon this vast project is altogether inadequate in strength to carry on the work in the vigorous manner imperatively demanded by the situation; therefore, be it

Resolved, That President Gompers of the American Federation of Labor, and Chairman of the National Committee for Organizing Iron and Steel Workers, be authorized to call a conference, during the convention of the American Federation of Labor of the heads of all international unions affiliated with the A. F. of L., to the end that they make arrangements to lend their assistance to the organization of the iron and steel industry.

President Gompers thereupon named the heads of twenty-four affiliated organizations to act as a committee to develop and carry out plans for unionizing the iron and steel industry pursuant to the resolutions mentioned. You are familiar with what has occurred since that time, and you are more or less acquainted with the history of the different union leaders who have been connected with the attempt to enlist the employes and to bring about a strike in the manufacturing works. The strike, which has been directed by the union labor leaders and was begun, so far as I am informed, without any request or authorization from the workmen themselves, has been conducted in the usual way.

Immediately preceding the day fixed for ordering out the men, intimidating letters, large numbers of them being anonymous, were sent to the families of the workmen threatening physical injury to the father or husband, damage to or destruction of the home and kidnapping of the children unless the employe referred to should obey the order to strike. A number of the workmen, who had joined the unions voluntarily, accepted the order to strike and others remained away from the factories through fear.

In many, if not most of the mills, the larger number of employes continued to work without interruption. At the begin-

ning, many of the workmen who attempted to continue their work and others who had remained at home through fear and attempted to return, were confronted in the public streets and elsewhere by strikers, or pickets, and importuned to engage in the strike; and many were assaulted and seriously injured. After protection was afforded by the police, sheriff's deputies, State constabulary, and in some cases State or National troops, the numbers resuming work increased appreciably from day to day until in many places operations are about normal. Taken as a whole, the situation at present is good and steadily improving.

The Sole Issue—Closed Shop or Open Shop

It will be observed that the strike is not the result of any claim by any workmen for higher wages or better treatment, nor for any reason except the desire and effort on the part of union labor leaders to unionize the iron and steel industry. As stated in the first resolution, the action taken was "for the purpose of uniting all these organizations into one mighty drive to organize the steel plants of America."

Without discussing for the present the merit or demerit of labor unions, it may be observed that union labor leaders openly state that they seek to unionize or, as they say, "organize" the whole industry of this country. Those who do not contract or deal with unions, although they do not combat them, insist upon absolute freedom to both employer and employe in regard to employment and the management of the shops. The non-union employers and employees both stand for the open shop. The unions argue for the closed shop or, as the leaders now insist, "the right of collective bargaining through labor-union leaders."

Every proposition contended for by the labor unions at the National Industrial Conference at Washington led to domination of the shops and of the men by the union labor leaders. Every position taken by the other side centered on the open shop. This is the great question confronting the American people and, in fact, the world public. From 80 per cent. to 90 per cent. or more of labor in this country is non-union. It is for them and the employers generally, and the large class of men and women who are not, strictly speaking, employers or wage earners to determine whether or not it is best for the whole community to have industry totally organized.

Judging by experience, we believe it is for the best interest of employer and employee and the general public to have a busi-

ness conducted on the basis of what we term the "open shop," thus permitting any man to engage in any line of employment, or any employer to secure the services of any workman on terms agreed upon between the two, whether the workman is or is not connected with a labor union. The verdict of the people at large will finally decide this question, and the decision will be right.

Why the Industrial Conference Failed

I think the fundamental question submitted to the Conference for recommendation to industries was the open shop; that question apparently could not be decided by majority vote for the reason that the Conference was organized into three groups called Labor, Employers, and Public. No affirmative action under the constitution or adopted rules could be taken except by the unanimous vote of the three groups, each of which voted by a majority of all its members. It was necessary to have such a condition, as otherwise there could be no conference in which there would be an agreement between capital and labor, so-called.

Collective Bargaining

The union labor advocates stand for collective bargaining through the unions. The others favor collective bargaining through representatives selected by the employees themselves from their own numbers.

The Employers' Group offered the following resolution:

Resolved, That, without in any way limiting the right of a wage earner to refrain from joining any association or to deal directly with his employer as he chooses, the right of wage earners in private as distinguished from Government employment to organize in trade and labor unions, in shop industrial councils, or other lawful form of association, to bargain collectively, to be represented by representatives of their own choosing in negotiations and adjustments with employers in respect to wages, hours of labor, and other conditions of employment, is recognized; and the right of the employer to deal or not to deal with men or groups of men who are not his employees and chosen by and from among them is recognized; and no denial is intended of the right of an employer and his workers voluntarily to agree upon the form of their representative relations.

The Employers' Group voted in favor of this resolution. The Public Group and the Union Labor Group voted against it.

The Public Group offered the following resolution:

The right of wage earners in trade and labor unions to bargain collectively, to be represented by representatives of their own choosing in negotiations and adjustments with employers in respect to wages, hours of labor, and relations and conditions of employment is recognized.

This must not be understood as limiting the right of any wage earner to refrain from joining any organization or to deal directly with his employer if he so chooses.

The Public Group voted in favor of this resolution. The Employers' Group and the Union Labor Group voted against it.

The Union Labor Group finally offered the following resolution:

The right of wage earners to organize without discrimination, to bargain collectively, to be represented by representatives of their own choosing in negotiations and adjustments with employers in respect to wages, hours of labor, and relations and conditions of employment is recognized.

The Union Labor Group and the Public Group voted in favor of the resolution. The Employers' Group voted against it. Thereupon the Union Labor Group retired from the Conference.

All through the Conference whenever the question of collective bargaining was discussed, it was apparent that the union labor leaders would not support any resolution in favor of collective bargaining except on the basis that collective bargaining meant bargaining through labor unions.

As further evidence of the attitude of the union labor leaders it may be mentioned that in the twelve points published by the leaders who were conducting the strike they included and insisted upon the following: "Abolition of company unions."

The Unions claim that collective bargaining through different forms of shop organization, made up of the employees tends to limit the extension of unions by increasing their numbers. The non-union employes and their employers insist that collective bargaining through labor unions means that employees are forced to join the unions, as otherwise they could not be represented. So it is perfectly clear that the whole argument returns to the main proposition of *open or closed shop*.

In the Conference there was no objection offered by any one to some form of collective bargaining as between employees and employers, provided both were free from outside representation and direction.

The Labor Group, so called, was made up of union labor leaders, leaving unorganized labor without special representation. The same mistake seems to have been made by a large portion of the public which was made throughout the war, namely, that organized labor really represents the workmen or wage earners generally, notwithstanding, as a matter of fact, that at least 85 per cent. of the total are non-union—not members of any union organization.

The Employers' Group, in which were men first-class in every respect, included men connected with large and important lines of industry, and also included several others some of whom at least should have been with the Labor Group. In selecting the Public Group there were overlooked thousands of vocations, professions, artisan and other lines of industry, all of whom are more or less affected by the cost of production, the expense of living and, therefore, the control and conditions of both labor and capital.

Improvement of Working Conditions

However, it would seem there were many objects which might appropriately have been considered by the Conference, and conclusions for recommendations arrived at by unanimous consent, which would be advantageous to the public good, and therefore to all mankind—such as working hours, living and working conditions, women's work, child labor, recreation, medical and surgical treatment, pensions, relief in times of stress, rates of compensation, schools, churches, and other educational facilities. With the right disposition and intelligence, the Public Group, as sole survivor of the Conference, might have agreed upon recommendations to the industrial world which should be of substantial benefit. All of us are in favor of these principles, and of any others that may be suggested which we believe will be of real benefit to the wage-earners and to the general public.

I conceive it to be proper in this family of industrial workers consisting of 2000 members of the most important basic industry, to claim that we have demonstrated in practice that we are upon a plane which is higher and better than ever before occupied by this industry in this country; that we have been striving to deserve the approval of all who are interested in our business and our decisions; that we have sought the confidence of our employees; our customers, our competitors, our principals who own the properties we manage, and the general public.

And yet it would be unfortunate if we could not discover opportunities for further improvement; if we failed to read or to listen to the criticisms of others; if we let pass the requests or suggestions of our workmen for changes which they believe

would be proper concerning their employment; if we neglected to give our employees—individually or in groups—opportunities to discuss with the managers all questions of mutual interest; if we minimize in any degree the well-recognized fact that the public good is of prime importance and that private interests must be subordinated. It is a pleasure to me to know from long experience that I am appealing to a sympathetic audience in behalf of a continued effort, on our part, to be more worthy of the respect and confidence of every right-thinking person who is familiar with our industrial life.

Considerable has been said in public of late concerning the attempt to spread the doctrine of Bolshevism in this country. All of us have known for some time that this disease is persistent, and that there has been some inoculation even in this best of countries. Still, we deny that there is danger of serious trouble. There is only one way to treat this disease, and that is to stamp it out; to meet it boldly wherever it can be found; to expose it and give it no chance for development.

In this free country, with its reasonable laws wisely administered, its golden harvests, healthful climate, peace-loving inhabitants who are generous in contributions for relief and protection, schools, churches and hospitals, there is no room except in the prisons for the anarchist, the bolshevist, or the other individual who seeks to substitute the rule of force for the rule of law and reason. If there are slinking, desperate, murderous Bolsheviki in this country, even in small numbers, I believe the Secret Service Department of the Government should detect and expose them, and that the iron hand of justice should punish them as they deserve. And, as I have faith in this country and in its institutions, I believe this will be done and done promptly.

Any one who doubts the ability of the proper authorities to protect the persons and property of our people against bolshevism and other similar doctrines, fails to appreciate the courage of our citizens, and the terrible force and strength of subdued calmness when they are surrounded by threatened danger.

For ourselves, let us be fair and just, considerate and determined, hopeful and complacent. We shall emerge from the waves of unrest which naturally follow the demoralization and terrors of war, and as a people we will be better and stronger than ever.

THE OPEN SHOP, ONCE A LOCAL ISSUE, IS
NOW VITAL AMERICAN PRINCIPLE¹*Open Shop Vital*

"The open shop presupposes the principle of Americanism. The closed shop, on the other hand, represents an un-American autocracy, and a confiscation of liberty and of property rights. If the closed shop should supervene in this country, the present cost of living would within four years seem low by comparison, and the domestic as well as the foreign trade of the United States, which we now seem to hold securely, would inevitably fall into other hands. The closed shop means death to commerce. There can be no misunderstanding of that effect and anyone having a primary knowledge of sound economics will accept it without question. Two years ago the open shop was a local issue, today it is a national principle.

FACTS ABOUT THE NON-UNION SHOP²

Judge Gary has shown an active interest in the rights of the non-union workmen in the steel corporation's employ. He has deemed it wise to become a champion of their rights, and, as their champion, to refuse to recognize the duly appointed representatives which his organized workers have selected.

The question of the so-called open shop has again received a great deal of attention, owing to Judge Gary's position.

The principles involved in the union and the non-union shop have been discussed time and again, and for the present purpose will not be referred to. Sometimes a situation can be made much clearer by a study of the facts which have been proven, rather than by a discussion of principles or theory, for there can be much humbugging and much sophistry introduced into the discussion of a theoretical problem, but it is a very difficult thing to camouflage well-known facts.

What are some of the most prominent facts connected with the so-called "open shop," where the employee must deal with his employer as an individual?

Under the operation of the non-union foundry in the years

¹ From an address by William H. Barr, President American Founders' Association.

² From International Molders' Journal. 55:002-3. November, 1919.

gone by, the molders worked ten, eleven and twelve hours a day. In many foundries they not only failed to receive time and a half for overtime, but received no overtime at all, considering themselves lucky if the bottom dropped in time to quit at the regular closing hours.

There were no shop rules or regulations in which the molders had a voice; there was no minimum wage rate, but in almost every foundry there was some bone-headed, strong-backed young man who received a little more than the other molders because he was employed to set the pace, and the pace which he set was used as the pace which other molders must follow if they were to hold their jobs.

In those good old days the foundrymen discharged any molder who began to voice dissatisfaction with conditions in the shop, and if the discharge of one man was not sufficient, other independent spirits also were forced to go to the office and get their money. The result was intimidation of the other men in the shop—those who were paying for a little home, those who had a family of children whom they were endeavoring to put through the public schools.

In those days of free and independent workmen, it was the foundrymen who determined what the price should be on a piece work job, and the molder who did not like the foundrymen's price could quit the foundry, and, if he made too strong an objection, would probably find himself, after having been discharged, blacklisted in the other foundries.

And because of conditions that developed in the happy days of free and independent molders, which the "open shop advocate" desires to recall, many of the foundrymen, because of the suicidal underbidding for work, were unable to keep the sheriff from their doors.

It was under the so-called "openshop" that the evils of child labor and unprotected female labor developed their most malignant features.

It was under these conditions that the most dangerous machinery went unguarded.

It was under these conditions that great numbers of workers were compelled to toil for so many hours and at such a low wage rate per day that they deteriorated physically, that they were forced to live like animals herded together in barrack-like tenements, where each family had but two or three rooms.

These conditions, which not only were unjust, but which

were destroying the physical and mental vigor of the workers, did not begin to change until the workers organized. The legislation abolishing child labor, protecting female labor, safe-guarding dangerous machinery, establishing workmen's compensation, only came after labor became well organized and had established union shops. The shorter workday, the minimum wage rate, the setting of piece prices by the committee and the foundrymen, only came into existence with the organizing of union foundries.

If the non-union shops in the industries had established better conditions for their employes than existed in union shops, there would be no effective trade-union movement. The very existence of an active, practical, intelligent, well-organized and well-financed trade-union movement is the strongest argument in existence to prove that the so-called open shop failed to establish as beneficial conditions for the workers as those which exist in plants where the workers are well organized.

CLOSED SHOP VERSUS OPEN SHOP¹

The increasing activity of trade unions in pressing their claims for recognition at the present time is resulting in a renewal of the discussion of the merits of the closed shop versus the open shop. The campaign against the closed shop was so successful in certain industries a dozen or more years ago that the movement itself seems to have lost momentum because of its success. Just now, with unprecedented demands for all grades and classes of labor, the workers seem to have regained a part of their lost bargaining power and to have been placed, temporarily at least, in a position to again demand recognition from those employers who for a generation have refused to meet with the representatives of organized labor. Hence the reappearance of the arguments for and against the closed shop.

For the most part this discussion is conducted by employers or their representatives, and is therefore stated in the terminology common to that group. But even when the press and the public give attention to the question, we are accustomed to accept the employers' definitions of the terms open shop and closed shop, apparently without stopping to inquire whether or not they are correct. We ignore labor's substitute terms which, al-

¹ By H. E. Hoagland. *American Economic Review*. 8:752-62. December, 1918.

though admittedly biased and unrepresentative, should at least be given consideration. If we *are* to be the impartial third party to industrial disputes, should we not learn how much truth there is in the contentions of each of the two other parties and, if necessary, adopt new terms which are representative and which are accurately descriptive? It is in the hope of contributing to this end that the writer has made the following analysis. In each case he has sought the expressions of the recognized leaders of both labor and capital in order that he may present the views of both parties fairly. Whether or not the conclusions of this article are accepted, it is high time to give attention to the facts upon which these conclusions are based in order to find some classification of terms which will be fair to both capital and labor and intelligible to the public.

First, what are the facts to be considered? Whatever definitions we give to the terms open shop and closed shop we agree that we are trying to describe the relationship of trade unionism to industry. Perhaps the reason we do not agree upon definitions is that this relationship is too complex to be fully described by two simple terms. Some of these conditions are as follows:

1. There is the shop which chooses to employ none but union members because the employer believes that the union can supply him with more efficient workmen than he can secure in any other manner.

2. Then there is the shop which employs none but union members because the employer fears to incur the enmity of the labor organization to which his workmen belong.

In both of these cases the employer sooner or later establishes or accepts a definite policy of employing only union members and incorporates this policy into an agreement with the union.

3. Other employers, while agreeing with the union upon the terms of the labor contract, refuse to concede the exclusive employment of union members. Such employers may concede a definite percentage, may show a preference for union men when other considerations are approximately equal (which may result in a shop with 100 per cent union membership), or may exercise a preference for non-union men though employing them at union terms.

Some employers, through necessity, deal with their workmen only as individuals. This may be either because the workmen have no union or, if they have, because it is weak and unrepresentative of employees in that class of work.

5. Still others, through choice, insist upon dealing with

workmen only as individuals, yet do not refuse absolutely to hire union members. Employers in this group are not indifferent to unionism but rather pursue a watchful policy, using means to weaken its union when the membership in the shop becomes threatening and ignoring the organization entirely when its representation in the shop is too small to cause concern.

6. Then there are employers who not only refuse to deal with unions but who will not knowingly employ workmen who are union members. They will even dismiss employees immediately upon learning that they are members of a labor organization.

7. Finally, the unions themselves occasionally introduce further complications, by refusing to permit their members to work in shops on strike or in shops declared unfair for any other reason.

Even such a classification does not exhaust the possibilities for confusion in the popular discussions of open shop versus closed shop. For while it is popularly assumed that all unions pursue the same policy with respect to the degree of control they exercise over the supply of men in their trades, such is not the case. Some unions have no apprenticeship regulations and nominal initiation fees. They admit, without prejudice, any workman who can demonstrate his ability to perform the duties required in the trade. Other unions restrict their membership by refusing to admit qualified workmen except upon payment of extortionate initiation fees which amount in their operation to an effective obstacle to union membership. This in turn may mean at times an equally effective bar to employment at that particular trade. Still other unions limit the recruits to their trades by arbitrary apprenticeship ratios which are governed, more or less, by the needs of the trade, but which operate to maintain a monopoly of labor for the particular union members involved. Finally, some unions carry the restriction of apprentices to the extreme of limiting learners in the trade to the sons of union members.

These facts indicate the complexity of the problem of union relationship to industry. Yet how different is the interpretation often given to a discussion of this problem. The very attempt to simplify a complex situation often results in the omission of important considerations. That this is true of the question of open shop versus closed shop will be made clear by the following analysis.

From the employers' point of view, the closed shop is a "monopoly in favor of the particular members of the union which is a party to the closed-shop agreement": not a "real monopoly" but one which is artificial and arbitrary because "outside its ranks there is a large supply of labor seeking employment, and it can maintain its monopoly only by preventing this potential supply from reaching its natural market and coming in contact with the correlative demand of the employer. . . . This prevention is accomplished in one way and in one way only—by the use of force and coercion in one form or another, either to keep the outsider from accepting employment or to keep the employer from accepting his services."¹

Any employer who resists the demand for a closed shop "is said to have an open shop"; a shop which "is free to all, to the union man as well as the non-union man."²

Trade unionists, on the contrary, claim that "there is no closed shop." "When confronted by persons who persist in speaking, in private and public, of the 'closed shop,' the trade unionists recognize by that sign they are dealing with an enemy, employing the verbal ammunition of an enemy, distorting facts as an enemy, and without having the manliness and candor of a courageous enemy."³ Open shops, according to trade unionists, "are in fact *closed shops against union men and women*."⁴ Or again, "In reality the open shop means only the open door through which the union man goes out and the non-union man comes in to take his place."⁵

For the most part economic writers have adopted the employers' definitions of open and closed shop, without stopping to inquire whether or not there may be situations not covered by these two terms.⁶ Others, looking a little farther into industrial relations, nevertheless use the one term, open shop, to describe any one of the following conditions: (1) A shop in which "union men or non-union men are hired indifferently" (2) a shop "entirely filled with union men"; (3) a shop "open

¹ Walter Drew, "Closed Shop Unionism," in *Bulletin* no. 16, National Association of Manufacturers. p. 4-5.

² W. H. Pfahler, in *American Economic Association Publications*, Third Series, vol. 4. p. 183, 186.

³ Samuel Gompers, in *American Federationist*, vol. 18 p. 118.

⁴ W. E. Bryan, in *American Federationist*, vol. 19, p. 321.

⁵ Clarence Darrow, quoted in *Current Literature*, vol. 51, p. 654.

⁶ For example, Professor Taussig after discussing the closed shop says, "The alternative is the open shop in which the employers deal with their laborers individually, or at least deal with them irrespective of their being members of the union." *Principles of Economics*, vol. II, p. 269. Most writers of economic texts follow Taussig in this classification.

only to non-union men."⁷ No account is taken of the shops which could properly be classified under neither open shop as here defined nor the employers' definition of closed shop.

Other writers, more careful of their terminology, accept the employers' definition of open shop but give a new name to the condition described by the trade unionists as an open shop in practice.⁸ In a few instances attempts at a more exact classification have been made by economic writers. Professor Commons has made one such classification which meets some of the objections stated above. He says:

The closed shop would be one viewed from the side of the contract, and would be designated as one which would be closed against the non-unionist by a formal agreement with the union; the open shop as one, where, as far as the agreement is concerned, the employer is free to hire union or non-union men; the union shop as one where, irrespective of the agreement, the employer as a matter of fact, has only union men. Thus an open shop, according to agreement, might be in practice a union shop, a mixed shop or even a non-union shop. The closed shop would, of course, be a union shop, but the union shop might be either closed or open.⁹

Marcus M. Marks has made a more minute classification in which, apparently, he has attempted to include all possible conditions of industrial relationship between labor and capital. His definitions are as follows: (1) The anti-union shop where the employer is "emphatically and frankly opposed" to the organization of his workmen. He will not knowingly employ a union man and will discharge those who join unions at any time. (2) The shop which is open because there is no union for the workmen to join. (3) The "typical open shop" where the employer is indifferent, neutral, or even friendly toward the union but will not grant it an agreement. Neither does he discriminate against union members. (4) The open shop which employs both union and non-union workmen but where the union either signs an agreement with the employer or reaches a mutually satisfactory understanding with him. (5) The union shop, all of whose workmen are union men though the employer may not even know of the existence of the union. At any rate he does not grant it recognition. (6) The closed shop with the open union. The employer is free to hire whomsoever he chooses provided

⁷ C. W. Eliot, *Future of Trade Unionism and Capitalism*, p. 62-63.

⁸ F. T. Carlton, *History and Problems of Organized Labor*, p. 122, defines open shop as follows: "An open shop is one in which union and non-union men work, or may work, side by side. No discrimination is practiced against union or non-union men." Professor Carlton then divides other shops into anti-union shops closed to union men, closed shops with open unions, and closed shops with closed unions.

⁹ *Labor and Administration*, p. 89-90.

they join the union at once. The union of course receives recognition. (7) The closed shop with the closed union. New workmen are obtained only by application to the business agent of the union and if an employee loses standing with the union the employer agrees to discharge him upon the request of the union.

But why call a shop "open" if the employer deliberately hires none but non-union men? Or why speak of a union shop if the workers therein give so little attention to their organization that the employer does not even know of its existence? And surely there is a very great difference between the "open shop" which refuses to recognize the union and the one which, while hiring non-union men as well as union men, gives the union a voice in the determination of the conditions under which its members work.

Furthermore, we are accustomed to think of the open shop as the typically American, man-to-man method of agreement upon the terms of the labor contract. We picture the individual employer discussing with the individual workman the job in question, each trying to drive a good bargain in typical American fashion. But openship, so-called, is often established, not by the action of an individual employer, but by the decision of an employers' association, some of whose members may even be enjoined by court action from exercising their individual wills in determining relations with their employees, without suffering severe indemnities to the association.

Frequently, the employers' association supplies individual contracts to its members with instructions not to hire any workmen who refuse to sign them. A typical contract of this nature reads as follows:

I, the undersigned in consideration of the signing of a protection agreement . . . do hereby agree as part of the consideration thereof:

I shall not directly or indirectly counsel, advise, participate or aid in the declaration of any strike against the business of any present or future member of said Association, nor in the establishment or continuance thereof, nor in any measure, financial or otherwise, designed to make it effective. . . .¹⁰

A part of such individual contract or a supplementary contract may even go farther in limiting the activity of the individual worker. In the case cited above one form of contract, supplied to the employers by the association with instructions to require every employee to sign it, read in part as follows:

¹⁰ H. E. Hoagland, *Collective Bargaining in the Lithographic Industry*, p. 95-6.

"You represent to us that you are not a union man and agree not to hereafter join any union without our written consent."¹¹

Very often too the practice of open-shop employers' associations in maintaining permanent employment bureaus or agencies creates an effective bar to the active union man. In speaking of the requirement of an applicant seeking employment through such a bureau one writer who is in sympathy with the method says:

He is required to give a complete record of himself, including the reasons why he left the shops where he was formerly employed. All the facts about him are put on a card which is kept in a permanent card catalogue. The secretary of the agency makes an investigation of the man's record. . . . In this way the employers find out who the disturbers are, and they are kept out of the shops.¹²

These examples could be multiplied many times to show that the open shop is not always free to all, the unionist as well as the non-unionist; and that on the other hand the closed shop is not always kept closed by the use of force or some form of coercion. Neither is it true that all shops recognizing the union are kept open by the union nor that all open shops are closed to union members. It appears quite clear, therefore, that we must reject the classification of open shop and closed shop if we are really desirous of finding names which are accurately descriptive.

In the early history of unionism in this country the terms open shop and closed shop were not used. Then shops were either "union" or "non-union": union if the organization had a voice in establishing working conditions; non-union if it did not.¹³ Occasionally non-union shops were designated as scab or rat shops if the employer kept union men out. For the most part union shops were open to non-unionist as well as to union members for the unions of those early days had a naïve idea that they could legislate for the entire trade, whether or not they controlled the supply of labor in the trade.

Gradually the unions learned the necessity of bringing pressure to bear upon recalcitrant employers and hence they began to refuse to permit their members to work in shops on strike. The "closed" shop was one closed to union members. It became an "open" shop when the union declared the strike off and permitted its members to return to work. Somewhat later the

¹¹ *Ibid.*, p. 96.

¹² I. F. Marcossou, in *World's Work*, vol. 11, p. 6963.

¹³ F. T. Stockton, *Closed Shop in American Trade Unions*, p. 14.

union, upon winning a strike, stipulated in the terms of peace that the shop be closed to non-unionists. The employers seized this conception of closed-shop unionism and have since made it the chief point of attack in their anti-union propaganda.

The publicity given to the open-shop movement of the past fifteen years has made it appear that there are but two kinds of shops to be considered: the closed shop which keeps out the non-union workman, and all others, collectively called open shops.¹⁴ At the time the terms were first used they may have been not far from accurate in their description of existing conditions. But certainly since that time the methods used by some of the so-called open-shop employers' associations have made necessary a new classification of terms to fit present conditions. The Federal Commission on Industrial Relations has recognized this need and it is interesting to note that the *one* resolution which the commission adopted by unanimous vote read as follows:

Whereas the commission finds that the terms "open shop" and "closed shop" have each a double meaning, and should never be used without telling which meaning is intended, the double meaning consisting in that they may mean either union or non-union: Therefore, for the purposes of this report, be it

Resolved, That the Commission on Industrial Relations will not use the terms "open shop" and "closed shop" but in lieu thereof will use "union shop" and "non-union shop."

The union shop is a shop where the wages, the hours of labor, and the general conditions of employment are fixed by a joint agreement between the employer and the trade union.

The non-union shop is one where no joint agreement exists, and where the wages, the hours of labor, and the general conditions of employment are fixed by the employer without cooperation with any trade union.¹⁵

This distinction is essentially that made by trade unionists themselves. In a recent editorial in the *American Federationist* Mr. Gompers outlines the case as follows:

When an employer forms a treaty with the union, formal or tacit, his shop is union, even if the union consents for the time being not to disturb any non-union men among the employees. If the employer will not treat with the union or pay the union scale, his shop is non-union though among its employees may be union members. The deciding point as to whether a force of employees is union or non-union is the employer's actual recognition of union regulations.¹⁶

Are not the terms union shop and non-union shop more accurately descriptive than the terms open shop and closed shop? It is not the *presence* of union members in a shop that is im-

¹⁴ The open-shop movement has attained such proportion that open-shop schools and open-shop employment bureaus are very common. Open-shop literature is voluminous in amount. We even hear of Los Angeles and Washington as model open-shop cities.

¹⁵ *Final Report* p. 265.

¹⁶ *American Federationist*, vol. 17, p. 885.

portant but rather their *activity* in securing or demanding a voice in the determination of the conditions under which they work.

Should we adopt this classification, there would be two sets of distinctions to be kept in mind. First, that between the union shop and the non-union shop: the union shop being one in which the union is a party to the wage bargain and the non-union shop being one in which the employer refuses to deal with labor in its collective capacity. Thus far we accept the classification suggested by the trade unionists. But there is a second distinction, equally important, which the trade unionists are not so ready to admit. The union shop may be either closed or open. Most unions accept the principle at least of the closed union shop. Whether or not they insist upon its enforcement depends upon expediency. In a few instances, notably in the transportation industry, open union shop seems to operate fairly successfully. Here the whole competitive field is covered by the agreement. The association of employers and the union fix, by joint action, the terms of employment for every position within this field, whether occupied by union members or non-unionists. The conditions essential to the success of the open union shop are: (1) The presence of a strong and well disciplined organization on each side; (2) the same scale of work and wages for both unionist and non-unionists; and (3) the settlement of all complaints, whether affecting union members or other workmen, by joint action of representatives of the union and the employers' association. In other words the union must act as the agent of all workers and must be protected from undercutting by non-members.

The non-union shop may also be, temporarily at least, either open or closed. If the employer does not fear the growth of unionism, he may not discriminate against union members in hiring workmen, even though he refuses to deal with them as such. On the other hand the employer may choose to keep union members out of his shop. In this case it seems that the only proper term to apply is closed non-union shop.¹⁷ The employer is generally opposed to the closed union shop and almost never grants it voluntarily. When he is forced to grant such terms to the union he often considers the agreement merely a truce to

¹⁷ The same name would necessarily be applied, of course, to the shop which is temporarily closed to union members by the union itself on account of strike or other disagreement with the employer. However, these cases are relatively rare and can be described when necessary by a statement of the conditions surrounding them.

be broken when opportunity offers. The temporary locus of the balance of advantage determines whether or not closed union shop shall operate. In many instances prosperous times bring closed-union-shop agreements. In succeeding dull periods the aggressive union members are dismissed and the remainder give up their affiliation in return for the retention of their jobs.

In passing judgment upon the closed union shop we should distinguish carefully between the closed union shop maintained by the open union and that maintained by the closed union. Obtaining membership in an open union is analogous to securing citizenship papers in a democracy. In both no groups are excluded except those whose members cannot attain the standards set for the entire organization. In each case individuals are excluded whose past conduct has been inimical to the welfare of the group. And in both the democracy and the open union qualified applicants for membership are admitted as soon as they satisfy the minimum requirements of admission. The closed union shop maintained by the open union has many supporters among economists and other members of the so-called third party to industrial disputes.¹⁸

Closed union shop maintained by a closed union, on the other hand, is wholly indefensible from the standpoint of social judgment. It operates for the benefit of the few and those few not always the most competent or the most deserving. Trade unionists themselves recognize the indefensibility of such a situation and for the most part deny the existence of the closed union. It is undoubtedly true that the practice of patrimony to keep down the numbers in a trade and the maintenance of prohibitive initiation fees or other artificial restrictions upon the entrance of competent workmen into a given industry are losing ground among union leaders themselves.

Likewise the closed non-union shop is equally indefensible unless we insist upon a very narrow interpretation of the sacredness of private property and the right of its owner to do with it as he wills. The spy systems used by some employers not only drive out of employment the trouble making agitator, but they keep all workmen in a state of mind which can hardly be de-

¹⁸ Professor Seligman, for example after expressing himself as favorable to trade unions, says that unless the condition described here as closed union shop is maintained, the union itself will often cease to exist. *Principles of Economics*, p. 441. Professor Fetter, on the other hand, opposes closed union shop in any case and relies upon public sympathy to secure for labor higher wages when necessary. *Principles of Economics*, p. 250.

scribed as fitting for liberty loving citizens of a free country. Employers agree that the closed non-union shop is indefensible. At least they are accustomed to deny its existence. It has been a very effective weapon in the hands of employers who have wished to establish what they have called open shop. It is harder to detect than the closed shop maintained by the closed union for its success depends to a large extent upon its secrecy, other pretexts being used as excuses for the dismissal of active union members.

Open shops, whether union or non-union, are essentially unstable. The union employees continually attempt to organize the non-union workers and to establish closed union shop. The employer is equally anxious to prevent the complete unionization of his shop and will often resort to dismissal of active unionists if their activity seems to promise success.

In conclusion, the writer believes that because our present use of the terms open shop and closed shop is misleading and is not accurately descriptive of industrial relations in modern industry, we should eliminate these terms from economic discussions. As substitute terms we should adopt union shop to describe the establishment in which the union is a party to the wage bargain and non-union shop to describe the establishment which refuses to deal with labor organizations. The closed union shop would then correspond to what is now called the closed shop. While to avoid the confusion which arises under the present use of the term open shop, we would use three terms, open union shop, open non-union shop, and closed non-union shop, according to the degree of recognition given the union by the employer and the extent of his efforts to keep union members out of his establishment.

THE COMMON PEOPLE'S UNION ¹

One of the most interesting and perhaps momentous developments of this momentous time is the "Middle Class Movement." It is a very recent thing, probably starting in North Germany early in the present year, when the professional men of certain towns banded together against the threatened "proletarian dictatorship" of Spartacide workingmen and brought the revolutionary laborites to terms by threats of a bourgeois "counter-

¹ By Lothrop Stoddard. *World's Work*. 39:102-4. November, 1919.

strike." That first revelation of middle class power was not destined to remain an isolated phenomenon. During the succeeding months distinctly middle class movements have appeared in every quarter of the globe. Even far-off South America and Japan to-day have their stirrings of middle class self-consciousness, while as far back as last April, England saw the formation of a "Middle Classes' Union" and has ever since played the leading rôle in the middle class cause.

The reason for this nascent middle class solidarity is perfectly clear. It is a defensive reaction against the rapidly increasing pressure of the high cost of living. The sky-rocketing of prices has of course hit all classes of society, but the middle classes have unquestionably been hit the hardest. It is they who have been the war's greatest sufferers. And furthermore it must not be forgotten that the war merely intensified a process which had been going on for many years. Ever since the closing years of the Nineteenth Century prices have been rising rapidly. When the war broke out in 1914 prices were almost double what they had been twenty years before. The war immensely accelerated this upward progress. The five years after 1914 saw a further doubling of prices—a five-year rise as great as that of the previous twenty years.

Of course this hurts everybody. But note how superlatively it hurts the middle classes. "The middle classes" is a somewhat elastic term, but it has been well defined by one of the leaders of the English middle class movement as "the people with the middle interests." The middle classes are composed preëminently of salaried persons and those deriving moderate incomes from "safe" investments, annuities, pensions, and the like. Now it is precisely these things which have lagged farthest behind prices. Both capital and labor, being self-conscious and well organized, have managed to keep fairly well up with the procession; indeed, to certain sections of both, the war-years in particular have yielded a harvest of speculative profits and fancy wages which to-day put them ahead of the game. But the middle class man is generally in very evil plight. Salaries show none of the buoyancy of wages and tend to remain anchored to the schedules fixed during the relatively stable price-level of a generation ago. When we come to the matter of incomes, the situation is even worse.

Consider the present plight of a typical middle-class family which had lived comfortably within its income in the year 1896

and had then thriftily invested a few hundred dollars annually in "gilt-edged" securities (bonds or preferred stock), savings-bank deposits, long-term life insurance endowment policies, and the like. Perhaps there was also a government pension to the grandfather, a Civil War veteran, a small annuity, or similar supplementary source of income. The head of the house, of course, a salaried man. Now what is the condition of that family to-day? To begin with, it costs just three times as much to maintain its 1896 standard of living. The family will certainly cling desperately to that standard, for, while comfortable, it was not extravagant and was based upon deep-seated traditions and ideals. Yet how pay the threefold bills? The main source of income—the salary, has increased in nothing like a threefold proportion. The "gilt-edged" securities bring no increased dividends, stand very low on the 'change, and, if "railroads," may be almost worthless. In fact, every dollar owned by that family in 1896, whether invested in bonds, stocks, savings-bank deposits, insurance policies, annuities, or pensions, has depreciated, in actual purchasing power, to thirty-five cents, and every dollar invested in 1914 has depreciated to fifty cents. Furthermore, the war has imposed heavy collateral burdens, as increased taxation, notably income-tax. Lastly, the current wave of social unrest, with its especial hostility to private property and its especial hatred of the middle classes, tends further to unsettle confidence and depress values.

Such is the condition of the middle classes throughout the world to-day.

"Middle Classes' Union" in England

England having been the country where middle class feeling and the necessity for middle class action were first appreciated, it is not strange to find England taking the lead in the current middle class movement. The English movement was formally launched in April, 1919, when a convention was held in London to inaugurate the formation of a "Middle Classes' Union." The chairman, Mr. Kennedy Jones, stated in his opening address that the organization was to be formed to obtain protection for those members of the community who could in no other way protect their domestic and political interests. "If you are properly organized," concluded Mr. Jones, "you will become the greatest force in the nation. You can possibly hold up all the workers, you could hold up the

capitalists, or you could even hold up the Government. You must see you are not squeezed or crushed and that you are placed in such a position as will necessitate a fair and square deal in all things, and the right to live." The meeting adopted a constitution, its preamble stating: "We are being taxed out of existence. We are being exploited for the benefit of the lower classes or for the benefit of the financial groups and profiteers in the upper classes." The Union's aims were thus officially stated in its constitution:

To promote mutual understanding between all classes of the community and secure an equitable distribution of national taxation.

To obtain the removal of unfair burdens on the middle classes, and to enable them by collective action to protect their interests from legislative or industrial oppression.

To scrutinize and watch all legislation and administration, and to secure suitable amendments of the law where the interests of the middle classes are unfairly prejudiced.

To support, by legal action if necessary, the interests of any member which raise questions of general principle affecting the middle classes.

This formal pronouncement was elaborated in the official statement of Captain Stanley Abbott, General Secretary of the Union, who said: "The Middle Classes' Union is not concerned with social distinctions or religious variations. What it is concerned with is the interests which exist between those of Capital and those of Labor. In this sense *the Middle Classes are the people with the Middle Interests*. In political and economic affairs there are three main sections; two of them are the extremists—call them what you will—the Upper and the Lower, the Right and the Left, the Monopolist and the Syndicalist. The third is the *Middle Classes*. And it is for the individual to determine whether he or she comes within this section—as a consumer, as a taxpayer, as a law-maker. Capital is organized for self-preservation. Labor is organized for self-advancement. But in the operations as between these two sections, the other—the unorganized Middle—the section which is the butt, the buffer, and the burden-bearer when Capital and Labor are contending—has no *locus standi* and no representation. Within this body are the brain-workers—the commercial and trading, the professional and administrative and managerial classes, and those whose income is derived from pensions or savings. Self-analysis should indicate one's place. The domestic or internal interests of a particular profession or business may be served by the profession or business societies; but, so far as general political and economic questions are concerned, those who constitute these bodies, together with the vast mass of the middle

classes who are not attached to or identified with any such specialized organization, are incapable, under present conditions, of any power of concerted action. The M. C. U. exists to weld together those unorganized and unrepresented middle classes into a strong, practical, coördinated entity for the protection of common interests. The very existence of a representative and powerful organization such as this will produce a moderating and a stimulating influence in the political and economic life of the nation."

In the comparatively short period since its inauguration the English Middle Classes' Union has been conducting an active campaign and appears to be meeting with a good measure of success.

Unions of the Professions

England seems to be the only country where a general middle class organization for general ends has as yet been formally attempted. But in a number of countries in different parts of the world, including England itself, middle class organizations of single professions or allied callings looking toward the protection and betterment of their special circles are to-day in operation. I have already mentioned the middle class organizations of North Germany which may be considered the pioneers of the movement. These organizations sprung spontaneously into being in several North German cities early in the present year when Spartacides (i. e., German Bolsheviki) had acquired local control. But the oppressed bourgeois presently took the "class solidarity" leaf out of the Spartacides' book; at least, the members of the allied group of professions connected with the public health took such action. The amalgamated doctors, nurses, hospital attendants, pharmacists, civic health officials, and kindred callings declared "counter strikes," and sick proletarians could thenceforth obtain neither drugs nor medical attendance, while proletarian patients were left unattended in their beds. So effective was this action of only a part of the middle classes that in at least two cities the Spartacides were forced to terms without any aid having been extended the counter strikers by the Federal troops.

The United States has not yet witnessed a middle class union of the general type, but local organizations of single professional and business callings have already begun. For instance, toward the end of August a union of clerks and other salaried em-

ployees was formed at New Orleans for mutual protection and for the raising of salaries, which, unlike laborers' wages had either advanced very slowly or had remained at an absolute standstill. The new organization declared that clerks and other salaried men who were able to support their families in comfort and even lay aside savings only a few years ago now found themselves hard pushed to obtain the bare necessities of life, and that therefore an immediate amelioration of their economic condition was imperative. And an investigator just returned from the Middle West reports widespread interest in what he calls "white collar" unions.

"In every city," he says, "I heard much talk of the impending organization of the 'white collar' occupations on a labor-union basis. I did not find that any important movement in this direction had been set on foot anywhere in the Middle West, but in talking with clerks, stenographers, newspaper men, and others employed on salaries I found them intensely curious as to what had been done in that direction in the East. Newspaper men were eager to learn about the unionizing of the news writers of Boston and other cities. Many had heard of the Union of University Professors and its affiliation with the American Federation of Labor and were disappointed when I could not give them details. There was much interest in the Union of Federal Employees. But to most of these office workers, what had dramatized for them the idea of a union of 'white collar' occupations was the actors' strike.

"We've been thinking we were different, somehow, from the men in the pressroom and composing room,' said an intelligent young woman stenographer in a newspaper office. 'But I notice every time they ask for more pay they get it, and if E. H. Sothorn and Marie Dressler aren't too proud to belong to a union, why should we be? The boss thinks he's treating us pretty well, giving us a 50 per cent increase in salary. But in his own paper the other day he printed the figures that show the cost of food and clothing here in Cleveland has gone up 80 per cent., and my rent's been doubled. And so has the price of the paper and the profits.'"

From all this the lesson seems to be clear. Throughout the world the middle classes are less adjusted to rising price levels than are either the upper or the lower strata of society. They are consequently suffering more than any other class. They are

beginning to see the benefits obtained by other classes through coöperation and are rapidly overcoming the handicaps which have hitherto prevented them from initiating corporate action. Now that such action has actually begun in many quarters and has apparently been both feasible and successful, it would seem as though a rapid development of middle class activity would characterize the immediate future.

THE UNION LABEL¹

The union label—what does it mean? That is a question often asked, and it receives a variety of answers. In order, therefore, to get it properly before the public it becomes necessary to make application of the principle involved in its use in other directions than from the standpoint of the union man.

Churches organize, adopt names and creeds of faith and refuse to tolerate any infringement upon their right to worship according to their standard of faith and practice. This the union label does for the union workmen.

Clubs and associations adopt the insignia and recognition to prevent fraud and imposition. This is the mission of the union label.

Firms and corporations have distinguishing marks which they jealously guard and protect. So does the organized worker guard and protect the union label.

Authors and writers secure copyrights as a shield from plagiarism of the products of their brain and pen. The union workman uses the label as a shield for the product of his labor and brawn.

Inventors secure letters patent to prevent infringement upon their right. The union label serves the same purpose for organized labor.

The manufacturer places his trade mark on the products of his shop or factory. The label performs the same service for the worker who brings forth these products.

It therefore seems plain that the same law which steps in and protects those whose interests lie in the various arteries of trade and commerce should step in and protect the worker in the use of his distinguishing mark.

¹ *Amalgamated Journal*. March 27, 1919.

THE INCORPORATION OF TRADES UNIONS¹

Lest what I say on the advisability of incorporating trade unions be misunderstood, it seems wise to state at the outset my views of their value to the community.

They have been largely instrumental in securing reasonable hours of labor and proper conditions of work; in raising materially the scale of wages, and in protecting women and children from industrial oppression.

The trade unions have done this, not for the workingmen alone, but for all of us; since the conditions under which so large a part of our fellow citizens work and live will determine, in great measure, the future of our country for good or for evil.

This improvement in the condition of the workingmen has been almost a net profit to the community. Here and there individuals have been sacrificed to the movement; but the instances have been comparatively few, and the gain to the employees has not been attended by a corresponding loss to the employer. In many instances, the employer's interests have been directly advanced as an incident to improving the conditions of labor; and perhaps in no respect more than in that expressed by a very wise and able railroad president in a neighboring State, who said: "I need the labor union to protect me from my own arbitrariness."

It is true that the struggle to attain these great ends has often been attended by intolerable acts of violence, intimidation and oppression; but the spirit which underlies the labor movement has been essentially noble. The spirit which subordinates the interests of the individual to that of the class is the spirit of brotherhood—a near approach to altruism; it reaches pure altruism when it involves a sacrifice of present interests for the welfare of others in the distant future.

Modern civilization affords no instance of enlightened self-sacrifice on so large a scale as that presented when great bodies of men calmly and voluntarily give up steady work, at satisfactory wages and under proper conditions, for the sole reason that the employer refuses the recognition of their union, which they believe to be essential to the ultimate good of the workingman. If you search for the heroes of peace, you will find many

¹ By Louis D. Brandeis. Address delivered to the Economic Club of Boston, December 4, 1902.

of them among those obscure and humble workmen who have braved idleness and poverty in devotion to the principle for which their union stands.

And because the trade unions have accomplished much, and because their fundamental principle is noble, it is our duty, where the unions misconduct themselves, not to attack the unions, not—ostrich-like—to refuse to recognize them, but to attack the abuses to which the unions, in common with other human institutions, are subject, and with which they are afflicted; to remember that a bad act is no worse, as it is no better, because it has been done by a labor union and not by a partnership or a business corporation. If unions are lawless, restrain and punish their lawlessness; if they are arbitrary, repress their arbitrariness; if their demands are unreasonable or unjust, resist them; but do not oppose the unions as such.

Now, the best friends of labor unions must and should admit that their action is frequently hasty and ill-considered, the result of emotion rather than of reason; and that their action is frequently arbitrary, the natural result of the possession of great power by persons not accustomed to its use; and that the unions frequently ignore laws which seem to hamper them in their efforts, and which they therefore regard as unjust. For these defects, being but human, no complete remedy can be found; but the incorporation of labor unions would, among other things, tend in some measure to correct them.

The general experience in this country, in respect at least to the great strikes, has been that success or failure depended mainly upon whether public opinion was with or against the strikers. Nearly every American who is not prejudiced by his own peculiar interests recognizes the value of labor unions. Nearly every American who is not himself financially interested in a particular controversy sympathizes thoroughly with every struggle of the workingmen to better their own condition. But this sympathy for the workingmen is quickly forfeited whenever the conduct of the strikers is unreasonable, arbitrary, lawless or unjust. The American people with their common sense, their desire for fair play and their respect for law, resent such conduct. The growth and success of labor unions, therefore, as well as their usefulness to the community at large, would be much advanced by any measures which tend to make them more deliberate, less arbitrary, and more patient with the trammels of a civilized community. They need, like the wise railroad

president to whom I referred, something to protect them from their own arbitrariness. The employer and the community also require this protection. Incorporation would in some measure help to this end.

When, in the course of a strike, illegal acts are committed, such as acts of violence or of undue oppression, the individual committing the wrong is, of course, legally liable. If the act is a crime, the perpetrator may be arrested and punished; if it is a mere trespass, he may be made to pay damages, provided he is financially responsible; and if money damages appear not to be an adequate remedy injunction against the wrongful acts may be granted by a court of equity. If the injunction is disobeyed, the defendant may be imprisoned for contempt.

Now, it seems to be a common belief in this country that while the individual may be thus proceeded against in any of these ways, the labor union, as such, being unincorporated, that is, being a mere voluntary association, cannot be made legally responsible for its acts. The rules of law established by the courts of this country afford, it is true, no justification for this opinion. A union, although a voluntary unincorporated association, is legally responsible for its acts in much the same way that an individual, a partnership or a corporation is responsible. If a union, through its constituted agents, commits a wrong, or is guilty of violence or of illegal oppression, the union, and not merely the individuals who are the direct instruments of the wrong, can be enjoined or made liable for damages to the same extent that the union could be if it were incorporated; and the funds belonging to the unincorporated union can be reached to satisfy any damages which might be recovered for the wrong done. The Taff Vale Railway case, decided last year in England, in which it was held the Amalgamated Society of Railway Servants could, as a union, be enjoined and be made liable in damages for wrongs perpetrated in the course of a strike, created consternation among labor unions there, but it laid down no principle of law new to this country.

Numerous instances may be found in our courts where labor unions have been enjoined, and in our own State, more than thirty years ago, an action was maintained against a union for wrongfully extorting from an employer a penalty for having used the product of "scab" labor. But while the rules of legal liability apply fully to the unions, though unincorporated, it is, as a practical matter, more difficult for the plaintiff to conduct

the litigation, and it is particularly difficult to reach the funds of the union with which to satisfy any judgment that may be recovered. There has consequently arisen, not a legal, but a practical immunity of the unions, as such, for the most wrongs committed.

This practical immunity of the unions from legal liability is deemed by many labor leaders a great advantage. To me it appears to be just the reverse. It tends to make officers and members reckless and lawless, and thereby to alienate public sympathy and bring failure upon their efforts. It creates on the part of the employers, also, a bitter antagonism, not so much on account of lawless acts as from a deeprooted sense of injustice, arising from the feeling that while the employer is subject to law, the union holds a position of legal irresponsibility.

This practical immunity of the labor unions from suit or legal liability is probably largely responsible for the existence of the greatest grievances which labor unions consider they have suffered at the hands of the courts; that is, the so-called "government by injunction." It has come about in this way: An act believed to be illegal is committed during a strike. If that act is a crime, a man may be arrested, but in no case can he be convicted of a crime except on proof beyond a reasonable doubt and a verdict of the jury, and on every jury there is apt to be some one favorable to the defendant. Many acts, however, may be illegal which are not criminal, and for these the only remedy at law is a civil action for damages; but as the defendant is usually financially irresponsible, such action would afford no remedy.

The courts, therefore, finding acts committed or threatened, for which the guilty parties cannot be punished as for a crime, and cannot be made to pay damages by way of compensation, have been induced to apply freely, perhaps too freely, the writ of injunction. They have granted, in many instances, this writ according to the practices of the court of equity upon preliminary application, wholly *ex parte*, and upon affidavits, without any chance of cross-examination. If the courts had been dealing with a responsible union instead of with irresponsible defendants, they would, doubtless in many of the cases, have refused to interfere by injunction and have resolved any doubts in favor of the defendants instead of the plaintiffs.

In another respect, also, this practical immunity of the unions has been very dearly bought: Nearly every large strike is at-

tended by acts of flagrant lawlessness. The employers, and a large part of the public, charge these acts to the unions. In very many instances the unions are entirely innocent. Hoodlums, or habitual criminals, have merely availed themselves of a convenient opportunity for breaking the law, in some instances even incited thereto by employers desiring to turn public opinion against the strikers. What an immense gain would come to the unions from a full and fair trial of such charges if the innocence of the unions were established, and perhaps even the guilt of an employer! And such a trial would almost necessarily be had before a jury, upon oral testimony, with full opportunity of cross-examination; whereas now, nearly every important adjudication involving the alleged action of unions is made upon application to a judge sitting alone; and upon written affidavits, without the opportunity of cross-examination.

It has been objected by some of the labor leaders that incorporation of the unions would expose to loss the funds which have been collected as insurance against sickness, accident and enforced idleness; that these funds might be reached to satisfy claims made for wrongs alleged to have been committed by the union. I can conceive of no expenditure of money by a union which could bring so large a return as the payment of compensation for some wrong actually committed by it. Any such payment would go far in curbing the officers and members of the union from future transgression of the law, and it would, above all, establish the position of the union as a responsible agent in the community, ready to abide by the law. This would be of immense advantage to the union in all its operations.

Again, it has been urged that the incorporation of the union would lead to a multiplication of lawsuits, which would involve the union in great expense; but the expense of conducting such litigation would be insignificant as compared with the benefits which would result to the union from holding a recognized and responsible position in the community.

Again, it has been urged that the unions would not fear litigation if justice were promptly administered; but that it was the dragging out of litigation which was to be apprehended. I take it that, so far as the unions have suffered from the administration of the law, it has not been from delays but from precipitancy. They have suffered at times in the granting of preliminary injunctions, injunctions which have been more readily granted because of the irresponsible position of the defendants.

Again, it has been urged that the unions might be willing to submit themselves readily to suit if the rules of law, as now administered by the courts, were not unjust to labor. I am inclined to think that there have been rendered in this country many decisions which do unduly restrict the activity of the unions. But the way to correct the evil of an unjust decision is not to evade the law but to amend it. The unions should take the position squarely that they are amendable to law, prepared to take the consequences if they transgress, and thus show that they are in full sympathy with the spirit of our people, whose political system rests upon the proposition that this is a government of law, and not of men.

LABOR DISPUTES AND ADJUSTMENT THE CAUSE OF STRIKES¹

There are few signs in the world at present of the coming of that "brotherhood of the classes" which some prophets foretold as the result of the war for democracy. From almost every country comes news of labour unrest on a large scale, and from most countries of serious strikes often developing into civil disturbances. It is, of course, easy to exaggerate the significance of such movements, whose precise importance the continued activity of the various censorships makes it very difficult to ascertain. But enough reliable information comes through to make it certain that revolution is at least a possibility in certain of the most important Allied countries.

The plain fact is that all over Europe, and to an increasing extent in America also, the armies are mobilising for something like a class war. Economic movements have a rapidly growing tendency to become political, not only because the workers possess a greatly increased power and are far more conscious of it, but also because their economic claims are animated by a steadily deepening hostility to the whole capitalist order of society. Not only do the workers feel stronger, they have also a growing feeling that capitalism is insecure. The greatest barrier to labour unrest before the war was the widespread conviction that capitalism was inevitable—that it had been in possession ever since the workers could remember, and that there were no signs that it was likely to come to an end. To-day the world, and the workers perhaps most of all, has lost the feeling of certainty about anything. We have come through such changes already that no change for better or worse now seems altogether impossible. Empires, apparently strong and impregnable, have perished almost in a night; new nations have arisen; two great countries are actually governed by extreme Socialists, and several others by Socialists of a milder type. After the fall of the Habsburgs, the Hohenzollerns and the Romanoffs, after the coming of Soviet Russia and of Soviet

¹ From the *New Statesman*. 13:252-3. June 14, 1919.

Hungary, who, whatever his attitude towards these things, will dare to affirm that revolutionary social changes are impossible in his own country? Who will hold an untarnished faith in the permanence and inviolability of the old order?

The fundamental causes of the world-wide unrest are mainly economic. Some peculiarly bad clause in the Peace Treaty, some blunder of the politicians, some manifestation of militarist reaction, may prove to be the spark which will set the world ablaze. But the fundamental cause of the conflagration will lie deep down in the economic system. The workers of France or Italy or Great Britain will rise in revolt not really because injustice is being done to the workers of Germany or Hungary or Russia, but because in every country it is becoming increasingly difficult, as the Coal Commission has abundantly shown, for the workers to live any longer under an economic system devoted primarily to the making of profit. This is not to say that a majority, or anything like a majority, is consciously demanding the overthrow of the capitalist system. Socialism of any constructive sort remains, probably in every country, the creed of a minority. But even the majority which has not attempted to formulate a constructive opinion has changed. The pre-war industrial system rested upon the general acquiescence of the workers in the subordination of their personality to the needs of industry as interpreted by capitalists and employers. It was possible only because it was able to treat Labour as a thing instead of a number of persons, and because Labour, though it kicked occasionally, as a rule acquiesced in that treatment. To-day, nearly everyone has a higher conceit of himself than he had before. Nearly everyone makes not only higher material claims, which are hard enough for capitalism to satisfy, but also higher human claims, which it has no means at all of satisfying, and which most of its protagonists do not even attempt to understand. We are face to face with the fact that the war has taught the workers in almost every country to assert their human claims by putting forth the vast economic strength which hitherto they have not known how to use.

To-day, men are refusing any longer to believe that they were made for industry, and are asserting vehemently that industry was made for all men, and must adjust itself to, and comply with, human needs. That is the real meaning of the world-wide unrest, the real moral of the repeated strikes, from whatever immediate causes they may spring.

The question, then, for statesmen in all countries is whether the economic and social system can transform itself so as to comply with the new human standards of value by which it is being judged. If it cannot, it will go to pieces, not perhaps this year, but next year or the year after, or at least within the next decade. Many people see that this is true of a large part of Europe, and yet believe that this country is somehow mysteriously immune from the coming epidemic of social and industrial revolution. There could be no greater mistake. What is true of Europe is true of us; and it is certain that we must either undertake the complete overhauling of our industrial system or else plunge slowly after our neighbors into a chaos out of which a better order may arise, but which will certainly first cause untold suffering in every class.

"It may be we shall rise the last as Frenchmen rose the first,
Our wrath come after Russia's wrath, and our wrath be the worst."

If we are to escape such an ending to our knight-errantry on behalf of world democracy, we shall do well to set our house in order. But where and how are we to make a beginning? The system of private profit has us, like our neighbour nations, in its toils. Our Ministers of State are still declaring that they desire to see high profits, because high profits are essential to the rapid and successful development of industry. Our employers have still no suggestion for a remedy for social ills beyond a reiteration of the demand for increased production. Yet surely it is obvious to anyone who looks with half an eye at the industrial situation that the problem of production is only part of a general psychological problem, and that there can be no solution of it, and no creation of industrial efficiency, unless the idea of production is related to the idea of service. If we want efficiency, we must persuade the workers that it is worth while, and their bounden duty, to do their best; but this we cannot do while we still ask them to work under a system which, from any moral standpoint, is utterly indefensible. The only appeal which can restore the world to good order is a moral appeal; and such an appeal, under present conditions, we simply have not the right to make. It is true that our position is in this respect certainly no worse than that of other nations; but it is a scant consolation if we must all perish together for our sins.

There is no need to take a sensational view in order to emphasise the gravity of the strikes which are now epidemic in

every industrial country. It is out of economic movements that, under present conditions, political movements are almost bound to proceed; and, even if the present troubles blow over, we can be sure that others will follow unless the root evils which create them are removed.

THE AUSTRALIAN SYSTEM OF DEALING WITH LABOR DISPUTES¹

The Australian system of dealing with labor disputes and of the regulation of labor conditions has passed through many changes. Different states, each with full power of self-government, have from time to time altered and amended their laws according to experience. In New Zealand, for instance, the Industry Disputes Act has been amended in some way on an average of once every two years since the year 1900. In New South Wales, existing legislation has on three occasions been practically repealed, and entirely new laws have been passed. But in all the states there is a striking uniformity of essentials. The whole industrial system is based on the principle that the relationship of employer and employe is a matter of grave social concern that justifies interference by some centralized authorities. In other words, freedom of contract is not now unlimited but can only operate within certain areas prescribed by law. The desire of parliaments has always been to make this interference between employer and workman as small as possible, and the result has been that practically all industries work today only above minima which are from time to time prescribed, and during certain hours that are fixed by law.

To understand the Australian system it is necessary to realize that the country generally has accepted three definite industrial claims as now beyond dispute. We start off in the new era of reconstruction with concessions finally guaranteed that are the subject of controversy in other countries. These three fundamentals, as I might call them, are as follows:

1. The recognition of the fullest right of workmen to organize for their own protection, and the right of each union to make the collective bargain for the industry that it represents.
2. The recognition of the eight-hour day.
3. The recognition of the principle of the living wage in all industries—that is, the drawing of a line below which competition in the labor market is illegal, but above which ordinary economic forces come into play.

¹ By George Beeby, Minister of Labor, New South Wales. Survey. 42:399-401. June 7, 1919.

These three concessions have been the result of our system of industrial arbitration. This system has been arrived at by two different methods which have gradually converged. Two states adopted what is known as the wages board system, all the others, what can more accurately be described as judicial arbitration.

The wages board system contained the minimum element of compulsion. Under it the government of the day had power, within certain limits, to appoint a wages board for an industry. This board generally consisted of about six workmen and six employers who selected their own chairman, with provision that the government could provide a chairman in the event of failure of mutual selection. These boards were authorized to declare a minimum standard for the industry on hours, minimum wages and the conditions attached to juvenile labor. They originally applied only to certain industries in which women and children were largely employed, such as garment making, manufacture of confectionery and similar occupations; but they were gradually extended, and in the states which had adopted this system all manufacturing industries gradually came under regulation. The finding of the board became a common rule for the industry, and any employer working below the standard fixed was liable to cash penalties. That system, however, did not in any way interfere with the rights of the workmen to take part in a strike or in any other legal way to force a better bargain for his trade.

One of these states which originally adopted wages boards abandoned the scheme and now works under the system of judicial arbitration. The wages board system today operates only in one state, Victoria, and its awards generally conform to the standards fixed by the arbitration courts. The judicial system was adopted originally in New Zealand and ultimately, with variations, by the states of New South Wales, South Australia, Queensland and Western Australia. It leads to the ultimate settlement of all industrial disputes by a court especially appointed, generally consisting of a single judge. In some cases the judge sits with assessors representing the two interests, but in nine cases out of ten the ultimate decision rests with the judge. These judges operating in these states and in the federal area conduct proceedings much on the same lines as those of a civil court. The parties become litigants, they file claims and replies, issues are joined, advocates are engaged, and elaborate

inquiries in open court are held, evidence being called in support of cases, in the reply, in rejoinder, in rebuttal; and in every way the paraphernalia of a court is maintained. Ultimately the decision is left to the judge whose award, when made, becomes the standard for the industry.

Today there is a strong movement for a complete change of this system. It is frankly admitted by both sides that its effect has been to keep workmen and employers apart, that a vast amount of work done by the courts could be done by voluntary conciliation and equally satisfactory results reached. The movement in Australia today is towards investigation of industrial troubles by negotiation rather than by litigation.

New Zealand has already altered its law and makes it difficult for the arbitration court to deal with the case. Before it can get to the court it must be dealt with by a special body appointed for a district or appointed for each individual dispute. In every way the parties are urged and encouraged to arrive at their own agreements, but in the background the court exists to deal with the cases of violent controversy, particularly in industries of a national character.

In New South Wales a recent law provides for the appointment of a board of trade. This board of trade consisting of representatives of employers and workmen in equal numbers, with a judge of the industrial court acting as president, is entrusted with the following, among its other duties:

1. The fixing from year to year of the basic living wage applicable to all adult male and female labor. (This function does not in any way prevent arbitration courts from fixing minima for particular industries. It only restricts them from going below the basic living wage.)
2. The appointment of industrial councils for industries.
3. The appointment of shop committees for individual workshops.
4. The general encouragement of a system of industrial organization on the lines of the Whitley scheme.
5. The holding of inquiries on important industrial matters of universal interest, and the recommendation to Parliament from time to time of legislation.
6. The absolute control of the conditions under which juvenile labor can be employed.

The idea of this act is gradually to transfer the whole system of industrial regulation from judges and industrial courts to these industrial councils and shop committees.

Power is also given to the government to utilize the industrial councils in any future provision which may be made for unemployment insurance. There is strong opposition to maintenance of any highly centralized fund dealing with insurance against employment and equalization of wage pay. It is thought

that the great problem will be more effectively dealt with if power is given to the government to subsidize any fund which may be raised in any industrial council for the purpose of unemployment insurance.

It must be remembered that a real effort is being made throughout the commonwealth today to move by stages from the old system of industrial arbitration to a system based somewhat on the Whitley scheme. The legislation is so framed as to give the minister of the day ample power to encourage in every way this program of bringing employers and workmen into close touch; but the idea of maintaining some tribunal which in the end can fix minimum standards for an industry in the event of the failure of negotiation, is maintained. With all its faults, the general opinion among employers is that in these days of perpetual industrial unrest it is essential to have some tribunal before which parties in violent dispute can be called, and to force them to adjust their differences. Workmen today are not favorable to compulsory arbitration. They believe that they could have achieved bigger results by the free use of the strike weapon and claim that restrictions on the right to strike have held them back. There is some basis for this objection from their point of view. Arbitration has largely improved the standards of unskilled labor and of those classes of workmen who in the past have found it difficult to organize. The lower grades of labor clearly have received very definite benefits from the system, but the skilled mechanic, with the perpetual restriction placed on his right to strike, has not improved his standards in the same proportion. That is to say, the relative difference between skilled and unskilled labor is not as great today as it was before the systems were adopted.

These limitations on the power to strike have not in any way saved us from serious dislocations. Workmen strike freely in Australia, in spite of the law, and no law can check them. But constant public investigation of industrial disputes has had a very restrictive effect. It has prevented and has shortened many strikes. All proceedings in the past have been in open court, and the public has become rather intimately acquainted with the nature of industrial relations. Workmen, except those who are revolutionary in tendency, are often engaged in analyzing the important question whether an industry can stand some increase which is proposed and, generally, the whole system has been of great educational value. Its main weakness, however,

has been that it has prevented negotiation and has kept employers and workmen in two definite, hostile camps, always ready to litigate but rarely in the mood for conciliation.

It must be remembered that the national parliament, Congress as you call it, has some power over industrial matters. The federal constitution provides that parliament can legislate for the prevention and settlement of industrial disputes extending beyond the limits of any one state. In pursuance of this power, the federal court of arbitration has been set up, and any dispute which gets beyond the boundary of one state can be, and often is, determined by this federal court. The court, however, is constituted very much on the same lines as those of different states and generally adopts the same principles in many awards. The tendency is for unions, if possible, to make their disputes go beyond the state boundary. They prefer the federal tribunal to that of the states. But in this court the learned judge who is today its president has not gone to any material extent above the standards generally recognized by these state tribunals. He has laid down one general guiding principle, and the duty of his court is not to regulate the detailed workings of an industry but merely to provide for the fixing of a reasonable standard of living in the industry, leaving the complete management of the business in the hands of the employer and his representatives.

There has been much comment by employers from time to time on different awards. There has been considerable opposition to the whole system, but this has gradually disappeared. Very few employers today ask for a complete repeal of our industrial legislation. They welcome public investigation of claims made, and they agree that in a young country which is building up its manufacturing industries it is better that all employers should be put upon the same footing. No employer in Australia can now obtain an advantage by the use of cheap labor. It is true also, as the employers state, that the fixing of the minimum wage for the industry has tended to inefficiency, but employers are not without blame in this, when wages fixed have been only minima. Most employers at the outset, directly a wage was fixed, petulantly announced that all their employes in the future would get the same wage and abolished the variations which previously existed. The result of this general application of the minimum as a standard wage undoubtedly led expert workmen to come down to somewhere near the level of

the average man. During recent years, however, many employers have accepted the awards of the court only as minima and have higher wages in order to get higher results.

There is also a very strong movement today to try to introduce systems of payment on piece-work and payment by results, but this is bitterly resisted by unionism. It is thought that the industrial councils will probably be able to bring about some change in this direction. In the shipbuilding industry, recently commenced, the New South Wales government has succeeded in getting mechanics, particularly those engaged in riveting, to work on a piece-work basis, with proper guarantees that increased output will not lead to reduction of piece-work rates, and also with the provision that workmen shall not injure themselves by going beyond the ordinary eight-hour day's work, except in cases of emergency. The result of this change was that the output of riveters per man was on an average doubled within a few weeks, and it is anticipated that even better results can be obtained without injury to the workmen.

I discussed the whole of this question with the associated chambers of manufacturers of Australia some weeks ago, and the gathering unanimously agreed to the following propositions:

1. That a minimum standard of comfort prescribed by law was not injurious to them, so long as the detailed management of the business was left entirely to their own judgment.
2. That the eight-hour law, particularly in all industries in which men worked under cover, or in connection with machinery, should be universally established.
3. That the time had arrived for a joint responsibility of the government, the employer, and the workman, to provide effective means of insurance against unemployment, sickness and accident.
4. That as a last resort it was best, in the interests of the state, to maintain some authoritative system of settlement of industrial disputes in all important industries.
5. That standardized conditions for the whole commonwealth, as to the conditions of employment of juvenile labor, were advisable.

I venture to summarize the situation as follows: Australia will continue to maintain the three fundamentals mentioned in the beginning of this statement.

It will continue to maintain some tribunals which will have power as a court of ultimate resort to make an award in settlement of industrial disputes which will be binding on the parties. But these tribunals will probably consist more of industrial councils, and access to them will be more difficult. There will also be created industrial councils for industries and shop committees for individual establishments. And all parties will be compelled to negotiate in these councils on all matters affecting industries before they will get access to a compulsory tribunal.

A definite movement will before long be made in the direction of unemployment insurance, but will, I think, be on the lines already indicated; that is, the industrial council will become responsible for the creation and maintenance of the fund for its particular industry—this fund being liberally subsidized from the public purse. Industrial records of individual workmen will be kept, and gradually those who are unworthy will be scheduled and not allowed to participate in any insurance fund.

The general control of the whole scheme of industrial regulation will, I think, beyond doubt before very long be centralized in the national government. There is a strong movement today which is rapidly reaching a climax to vest this important function in a national authority on the understanding that it uses the state machinery now in existence. Some uniformity is essential. There is considerable conflict today between different state systems and the federal system, and both employers and workmen are in agreement that it would be better to take the industrial power from the hands of state parliaments and invest it in Congress.

THE DEVELOPMENT OF GOVERNMENT IN INDUSTRY¹

During the past five years, in several branches of the garment-making industries of New York and Chicago, certain principles for the adjustment of conflicting interests with employees by legal methods have been experimented with. This experience has suggested certain ideas and possibilities interesting to those who appreciate the growing danger of leaving the settlement of employer-employee controversies to the arbitrament of industrial warfare and who understand how, in other human relations, the crude method of force has been superseded by the legal method.

The protocol² in the cloak and suit trade, together with half a dozen similar protocols in other branches of garment-making in New York, the Rockefeller system of industrial representa-

¹ By Earl Dean Howard, Director of Labor for Hart, Schaffner & Marx, Professor of Economics in the College of Liberal Arts and Professor of Banking and Finance in the School of Commerce, Northwestern University. From the *Illinois Law Review* for March, 1916.

² See Bulletin of U. S. Bureau of Labor Statistics No. 144, March 1914, entitled, "Industrial Court of the Cloak, Suit and Skirt Industry of New York City," by Charles H. Winslow.

tion in the Colorado mines, and the labor agreement of Hart Schaffner & Marx³ in Chicago, grew out of long and bitter strikes, severe enough on both sides to convince the parties thereto that the old system was intolerable. Complete domination by either side was impossible and intermittent struggles over the division of power were costly and unsatisfactory. The protocols and agreements provided a system of government to protect each side against the other.

Any system of government for the adjustment of human relations and conflicting interests by law rather than by force requires some devices to perform legislative, executive and judicial functions. Rules must be laid down and interpreted, administrative duties must be discharged, effective limitations and requirements must be placed upon individuals to secure co-ordination, and all questions in dispute must be authoritatively decided.

There is a strong tendency to enlarge the scope of political government so as to include also industrial government. Whether this shall grow into state socialism or whether private enterprises will be able individually or collectively to establish a satisfactory form of government, supplementary to political government, is one of these large interesting questions which may be decided within a generation or two. The solution may depend upon the ability of the employees to develop a constructive power and effective government among themselves.

Employers and those responsible for the prosperity of large enterprises are reluctant to lose any part of their control. When they discover that the power has passed from them, or when their government has failed to maintain place, they are then ready for experiment. The protocols and other experiments have always grown out of strikes, usually long and exhausting.

Structure of Government.—The first step is an agreement on constitution providing usually for a board of arbitration. Executive control is left in the hands of the employer but subject to the limitations of the agreement and the decrees of the board. **The representatives of the employees, usually labor union officials, strive through the board to extend these limitations to inhibit all acts of the employer which the employees or their officials conceive to be of any disadvantage to themselves.** The system resembles a constitutional monarchy.

³ See Monthly Bulletin of the Pennsylvania Department of Labor and Industry, August 1915. "The Experience of Hart, Schaffner & Marx with Collective Bargaining."

The legislative function is usually inadequately provided for. New conditions arise to which the rules of the agreement and previous decisions are not applicable. The employer claims the right to legislate by administrative decree on the ground that he has all the authority not specifically relinquished in the agreement. The union officials urge the board to assume jurisdiction and by a decision create a precedent which has the effect of law. In practice legislation originates in several ways: (1) The constitution or basic agreement entered into by the parties at intervals for definite terms and with which the decisions of the board of arbitration must harmonize; (2) administrative orders promulgated by the employer and subject to veto or alteration by the board of arbitration on the ground of unconstitutionality; (3) judicial decisions having the force of precedents by the board of arbitration in adjudicating complaints—"judge-made" law.

The judicial function is performed by the board of arbitration and inferior courts or committees, such as the Trade Board in the Hart Schaffner & Marx system, and the Committee on Immediate Action in the Suit and Cloak Protocol. Appeals may always be taken for final decision to the board of arbitration. Decisions are based upon the fundamental agreement, administrative orders which have not been challenged, precedent decisions, customs and practices in the industry.

The judicial boards and committees are composed of representatives in equal strength of employers and employees, presided over by a neutral arbitrator who casts the decisive vote. This neutral arbitrator has the opportunity to develop an extra-legal process of mediation by which the necessity of much litigation is avoided. It is usually stipulated that agreements reached by mediation do not create precedents, but apply only to particular cases in hand. The neutral arbitrator, if he have the ability and inclination, may in the course of his work by discussion and education establish standards of justice and fair dealing in the employer-employee relation acceptable to both sides. These may form a sort of unwritten constitution of great practical influence upon the harmonious operation of the enterprise. The possibility of disputes and conflicts is greatly reduced when the parties, acting in good faith, gradually approach agreement in their beliefs as to what is right and wrong action.

Industrial concerns which have adopted some form of industrial government such as here described find it advantageous to establish a department to supervise their relations with their employees and to represent them in litigation and negotiation. Positions are thus created for men who have been trained in economics, political science, law and business, and who have talent for negotiating, pleading, instructing and social service work.

In the five-year experience with the Hart Schaffner & Marx arrangement, most of the fundamental issues which arise in the employer-employee relation have been met and adjudicated. These typical cases have revealed principles which may some day help to form an established code of governing rules for industry and supplanting the present method of competitive bargaining and conflicts settled by economic strength.

Opportunity to Work.—The ordinary concept of the employer is that labor is a commodity purchasable as other commodities. He strives to get as much as he can as cheaply as possible. The job or opportunity to work is his private property and the workman has no claim upon it. The new principle gives the worker a right to his job which can be defeated only by his own misconduct. The job is the source of livelihood to the worker exactly as his capital is the source of livelihood to the capitalist. In the slack season whatever work there is shall be divided equally among all as far as practicable.

In case of discharge, the burden of proof is upon the employer to show that such discharge is necessary for the welfare of the organization. He must also show that any alternative action involving less hardship on the individual is inadequate.

So long as there is an adequate supply of labor available in the skilled trades, the employer must not introduce an unreasonable number of apprentices into the trade.

In the hiring of new help, preference must be given to members of the union which is a party to the agreement, provided such members are competent and of good records. To maintain its prestige with the people, the union must be able to keep all its reputable members at work.

Discipline.—Disciplinary penalties must never be allowed as a means of discouraging the organization of employes into unions. The employees must have leaders, and some of these, lacking experience and information, sometimes fail to distin-

guish between legitimate complaining and insubordination.⁴ Discrimination on account of union activity is difficult to prove or disprove and is a favorite device for befogging a case. The difficulty is diminished by specializing the disciplinary function in one man who is free from suspicion of antagonism to the organization of employees.

Managers who are directly responsible for the efficiency of the shop should not be burdened with the responsibilities of discipline. This function is one of great delicacy. If badly or unskillfully performed it is a fruitful source of antagonisms and personal feelings which is like sand in a complicated machine. If, however, it is handled with judgment and resourcefulness by an official who is detached from an immediate interest in the operations and who can look forward to ultimate results, the function presents great opportunities for gaining the respect and good will of the employees. Discipline cases afford the finest opportunities for educational work, both with worker and foreman.

So long as the offending employee is to be retained in the factory, any disciplinary penalty must be corrective and no more severe than is necessary to accomplish the best results for all concerned. Most offenders are victims of wrong ideals or mental deficiencies, the remedy for which is not punishment but help and instruction. Delinquencies in management can frequently be discovered and the manager or other executive may need the services of the expert discipline officer quite as much as the original offender. The efficiency of the discipline officer should be measured by the proportion of ex-offenders who have ultimately become competent and loyal friends of the company. It is his prime duty to prevent and remove from the minds of the people all sense of injustice in their relations with the employer, which is the fundamental cause of the bitterest industrial conflicts.

Management.—The great defect in autocratic government is the lack of adequate and intelligent criticism. Autocratically-governed business enterprises suffer from the absence of their wholesome check. Organized employees represented by spokesmen who are protected in that function, together with a labor

⁴ Under the protocol, piece-work prices are determined by bargaining between the individual employee and a shop-committee. A serious situation is created by the suspicion of the workers that the power of discipline is used to gain advantage in bargaining. There is no centralization and specialization of the discipline function there.

department responsible for the good-will and welfare of the employees, constitute a critical check on bad management and the source of valuable suggestion for more efficient management. Piece-workers, especially, are vitally affected in their earnings by the quality and efficiency of the management. Subordinate executives in the factory may conceal this inefficiency from their superior officers for a long time, but a system of free complaints makes this impossible.

Standards.—Lack of standards is probably the chief cause of disorder and conflicts, especially in the needle industries. This includes standards of workmanship, piece-work prices, conduct in the shop, and all points which involve the interest of the employee.

The primary tribunals or Trade Board should settle finally all disputes as to facts; appeals should be taken only when disputed standards are involved. Each case before the Board of Arbitration is an opportunity to establish one or more standards. Thus, unless the industry is one of great changes, the board will find the need for its services grow gradually less as both parties learn to be governed by standards. The immense value to an industry of established standards should reconcile the parties to the time consumed in deciding some comparatively unimportant case which happens to afford opportunity for creating a standard. The board in such cases should get expert and technical testimony from all sources through witnesses and committees of investigation, so that the work is done once for all.

Unionism.—This system of government assumes adequate representation of the employee; such representation requires organization and leadership. There are many advantages where the employer is large enough to be independent of associations of employers, and where the employees' organization is limited to employees of the one company. At the outset, the workingmen are likely to belong to national unions, and the company to be a member of a trade association, especially if the experiment begins at the close of an industrial conflict or general strike.

Many of the traditional principles and practices of unionism are developed out of a state of militancy and are not adapted to a state of peaceful government, hence they are obstructive. Unless the employees as well as the employer agree that the rules and decrees of the Board of Arbitration shall prevail over

any rules or orders of either a national union or a trade association; that the government which they are establishing shall receive their undivided, unhyphenated allegiance; the scheme will be unsound.

These difficulties do not exist when the Board of Arbitration has jurisdiction coextensive with the association and union and where the entire membership of both groups submit themselves to its government. The combination of local unions into great national and international federations was a war measure and loses its *raison d'être* when a system of representative government is established.

When the organization of employees uses its strength to promote the reign of law and order, the employer has an interest in helping to develop its strength. So long as he has faith in this system, he cannot then be hostile to the organization.

The "closed shop" issue which is responsible for so much industrial warfare has been eliminated in some of the needle industries by the device of the "preferential shop." The issue has its cause in the difficulty of the unions in maintaining their membership and collecting money from members. The unions use their power over the employer to force him to maintain the strength of their organization by penalizing persons who are disinclined to submit to the rule of the union officials. The conscientious employer has moral scruples against forcing his employees to be members of a union against their will and to submit to the authority of union officials.

The preferential shop idea is a compromise by which the greatest dangers and injustices of compulsory union membership are avoided and yet by which there is a distinct advantage to members of the union. Union members have preference when new people are needed and, when the force must be reduced, they are retained in preference to others.

Under this system the danger of the abuse of arbitrary powers by union officials as well as by employers is much reduced. Both must submit in equal degree to the board of arbitration, and all their actions may be reviewed by that body. The principles of right action as laid down by the board governs them equally.

Wages.—We are so habituated to the idea of labor as a purchased commodity or service, that it seems to us quite natural for the price of it to be determined by the law of supply and demand through the bargaining process. When employees are unorganized, they are unable to bargain with a large employer

on anything like equal terms; when they are organized, the bargaining may take the form of industrial warfare. Bargaining cannot be equitable and fair unless either party has the right to withhold what is offering to the other. This principle is so true that the courts and legislatures have been forced to legalize strikes and picketing, notwithstanding the tendency of these measures to subvert law and order and to jeopardize the right of person and property.

The dilemma is most acute in public utilities where the public interest is peculiarly affected; therefore, every possible means is being tried to introduce government in the form of voluntary arbitration. Upon the success of this method may depend the future necessity of using the authority of the state to establish and enforce standards by compulsion in at least some instances.

Whether voluntary government can succeed or not will turn largely upon the possibility of discovering principles of manifest justice from which practicable standards may be deduced. The great need is therefore a principle applicable to wage controversies. Much depends upon a satisfactory answer to the sphinx-riddle, what is a just wage?

In the system here described, the rate of wages and piece-work prices existing at the beginning of the agreement was accepted as the basis. Certain horizontal advances were granted to prevail during the term of the agreement. At the end of that period, the whole question is reopened. If both parties agree to arbitrate this major question as they do all others, the burden is thrown upon the Board of Arbitration of finding some governing principle from which a rational decision may be derived.

The student of political science will find in the development of voluntary industrial government an interesting contribution to his science. Just as the common law of England evolved from self-imposed customs and regulations in the interest of harmonious dealing and relations, so here we may observe an organic growth of industrial government, establishing itself alongside the federal and state jurisdictions. Perhaps this will be the means of escape from the dilemma of domination by a ruling over a subject class on the one hand, and, on the other, a chronic state of civil warfare with the classes perpetually struggling for advantage, with small consideration for the public welfare.

THE QUESTION OF TRADE JURISDICTION¹

Those who oppose trade-unionism and advocate some other form of organization delight in calling attention to the jurisdictional disputes which exist within the trade-union movement. One of the arguments advanced in favor of the industrial form of organization is that it would eliminate jurisdictional disputes and therefore place the workers in a much stronger position.

Our opponents—those who advocate an industrial form of organization, or "One Big Union," delight in making the statement that trade-unionism has shown itself incompetent because the American Federation of Labor has failed to adjust all industrial disputes when they arise.

What are some of the facts in the case?

Unquestionably jurisdictional disputes have created divisions of opinion between trade-unionists when they should have acted collectively. But jurisdictional disputes arise principally because of changes continually taking place in industry.

How Disputes Originate

A few years ago no one could imagine a question of jurisdiction arising between the locomotive engineers and the street car drivers, but electricity took the horse's place, the driver became a motorman, and from street car lines the interurban lines developed, some of these interurban lines attaching two or three passenger cars to the one containing the motor. In some cases locomotive engineers operated these suburban trains, in others members of the Street Car Men's Union did likewise, and so, as a result of a rapid change in method of transportation, a question arose which has not yet been finally settled, but which is gradually reaching the point of solution because the methods for adjusting such disputes which are provided by the American Federation of Labor are being applied.

It requires no elaborate investigation of the facts to discover that the industrial form of organization, or "One Big Union," would equally fail to solve questions of jurisdiction, unless everyone in industry was placed upon the same dead level, which is something which nature itself would not allow to exist, for nature is continually making changes, continually modifying conditions, continually establishing new forms.

¹ By John P. Frey, *Amalgamated Journal of Iron and Steel Workers*, December, 1919. This article represents the point of view of organized labor.—Ed.

Someone has advocated that the electrical trades should form an industrial union. This would mean, among other things, that the pattern makers, machinists, molders, blacksmiths, polishers, armature winders and other workmen on electrical machinery would all be the members of an industrial electrical workers' union. In addition to this it would be necessary that all of the linemen, and all of the men wiring buildings, should also be members of this one organization. The electricians employed in the erection of buildings might possibly raise a question of nothing compared to what would follow if the proposed scheme would go into effect and would include not only all of the telegraph operators, at which step the railroad brotherhoods would step in, but also the electricians employed in theaters. These would also be members of the electrical workers' union, for it was to be all-embracing so far as those connected with any form of the electrical industry were concerned. The very extension of this organization to stage employes would immediately lead to jurisdictional complications with stage employes and actors' unions.

Delightful in Theory

Many a theory is delightful to contemplate until we begin to put it into operation.

It seems logical to those who advocate the industrial form of organization, so that jurisdictional disputes may be eliminated, that the transport workers should get members of but one organization.

Those engaged in transportation are the seamen, the railroad operators, the men in the railroad shops, the longshoremen, and the teamsters.

If such a form of organization could possibly be brought into existence how would it be possible for the teamster to have proper attention given to his particular necessities when they differ as widely as they must from those of the seamen?

The whole structure of industrialism becomes ridiculous as soon as we begin to study what would follow the thorough-going application of this form of organization.

There are those who imagine that jurisdictional problems are due to the form of organization which trade-unionism has developed.

Nothing could be farther from the facts. As far back as we can find references to the problems which organized workers were dealing with, we find traces of jurisdictional disputes as bitter and more violent than those of today.

Four Centuries Back

In the 15th and 16th century, shipbuilding was a prominent industry along the banks of the River Hull in England. The woodworkers of that period were all members of their respective guilds, three of which were in active existence at that time. The Shipwrights' Guild whose members built the house, and the Joiners' Guild, whose members worked on furniture, cabinet work, and other of the finer parts of wood-working.

During the bitter cold months of winter the shipwrights could not work in the yards and they frequently endeavored to do some carpentry work.

During the fall months the carpenters were frequently idle and endeavored to work in the shipyards; and, at various time, the joiners endeavored to do some of the shipwrights' work in the interior of the ship after the hold had been completed and the decks boarded over.

Their jurisdictional disputes led to violent encounters and the records of the River Hull Guilds are filled with interesting examples of the methods adopted, the by-laws enacted and the instructions given to committees, all aiming to give that particular guild advantage over the others in its jurisdictional dispute.

There was no federation of guilds, enabling the quarreling factions to come under the influence of others whose only desire was to find a wise solution of the jurisdictional problem.

One of the interesting examples of jurisdictional disputes among English workers arose from a quarrel between the Cordwainers' Guild (shoemakers) and the Cobblers' Guild (shoemenders) of London in the latter part of the 14th century.

The Cordwainers' Guild claimed jurisdiction over the making and mending of all shoes. The municipal records of ancient London contain several references of the methods by which this jurisdictional dispute was carried out.

Strong-Arm Methods

Among other efforts to gain supremacy, the wardens of the Cordwainers' Guild, who evidently acted as strong-arm business agents, visited the cobblers' shops, beat up the cobblers, broke their stools and benches, destroyed their little stocks of leather and appropriated their tools.

In the summer of 1395, while the King was making a formal entry into London, the officers of the Cobblers' Guild presented

a petition to him, requesting that their rights be safeguarded and their jurisdiction defined. Of course the King would not personally give his attention to such a subject, but he instructed the Lord Mayor to adjust the jurisdictional dispute. The Lord Mayor ordered both of the guilds to send twelve of their members before him. He listened to what these twenty-four shoemakers and cobblers had to say and then he handed down the decision of a Solomon.

He defined the lines of jurisdiction, giving the Cordwainers' Guild the making of all boots and shoes and the mending of shoes which they themselves had made. He also defined the kinds of leather which could be used exclusively by shoemakers. He gave the Cobblers' Guild complete jurisdiction over the mending of shoes brought to them, and also defined the kind of leather which they might use, and went so far as to provide that they could not evade his decision and become shoemakers by accepting the latch-hole of a shoe and building a new shoe around it.

Fortunately, the jurisdictional disputes between organized workers which arise in America are not settled by the civil authorities. As they arise they are adjusted by the American Federation of Labor in its annual conventions. Some disputes have not been adjusted immediately; it has required time to clear men's minds and to lead them to realize that the good judgment of the trade union movement as a whole was probably as sound as their own.

Satisfactory Adjustments

But the serious jurisdictional disputes which have at times threatened harmony within the trade union movement have, with few exceptions, been adjusted to the satisfaction of all concerned.

The effectiveness of the American trade union movement is not to be judged by the number of jurisdictional disputes which arise! rather it is to be judged by the number of these disputes which it has been able to adjust.

As we indicated, jurisdictional disputes arise and must continue to arise because of the wonderful changes which take place in our modern industry. The all-important thing is not the construction of an organization which the theorist believes would prevent jurisdictional disputes. To the practical-minded man of experience in the industrial world, the all-important

question is the adoption of methods through which these disputes can be adjusted when they arise.

The record of the American trade union movement indicates that it has proven more successful than any other movement in adjusting jurisdictional disputes when they arise. It has not followed the method which was carried out by the workers in the guilds of centuries ago. It has not depended upon the authorities acting as a judge, or upon the militant strength of members alone. It has been governed by common sense, guided by the knowledge that trade union experience in trade union methods is the surest, safest method for the solution of jurisdictional, or any other questions which affect the workers.

THE ATTITUDE OF THE COURTS TOWARDS INDUSTRIAL PROBLEMS¹

Modern industry with its rapidly changing conditions has placed a heavy burden of responsibility upon our courts. Difficulties of adjustment unknown until recently have given rise to strife involving individual rights and social welfare. These contests have been taken to court. There the old-established principles constitute the standards. But these are not applicable to new conditions. Thus the courts face the necessity of trying to perform new tasks with old tools. Upon their ability to adjust themselves to the new requirements depends the peaceful solution of some of our most perplexing industrial problems. The responsibility is two-fold: first, that of passing on legislation that departs from former standards, and second, that of adjusting individual rights under conditions where collective activity prevails.

With the importance that is attached to precedent, it is unfortunate that so many cases have been decided in the past in a manner contrary to the public welfare. This thwarting of the public interest has generally resulted from a purpose to protect private interests and especially private property. Many of these cases are so widely known and the results so far beyond dispute that brief mention of them will suffice.

Although the Massachusetts court decided in favor of a law

¹ By George G. Groat. *Annals of the American Academy*. 44:104-113. November, 1912.

restricting the hours of labor for women as long ago as 1876, the court in Illinois, in 1895, refused to allow such a law to stand. It was an infringement upon the private right of citizens to contract for the length of day. The appeal of a case from the Oregon court to the federal supreme court and the elaborate opinion upholding the public necessity of such legislation has finally saved the situation. A new standard for such legislation has been established. The crux of interest was reached when the Illinois court, facing the material and the weight of authority of the nation's highest tribunal, finally reversed its own decision. The influence of the supreme court of the United States has been potent in several states since, and uniformly the principle is sustained. It should, however, be noted that in New York a decision still stands which holds invalid a law prohibiting women from working in certain industries during night hours. This legislation the New York court regards as an infringement upon the individual rights of some of its citizens.

The effort to restrict the hours of labor in underground mines affords another instance of failure to appreciate the importance of public welfare above private interest. In Colorado an eight-hour law was passed applicable to mines and smelters. The supreme court of the state held the law unconstitutional. This opinion, both in point of conclusion reached and of reasoning, is one of the most unsatisfactory and unconvincing that any of our courts has handed down. There appears to have been more behind it than simple legal considerations, if the following statements may be taken with authority. Writing in the *Century Law Journal* (vol. 62, p. 379 note), A. A. Bruce asserts that the case of *In re Morgan* "is so evidently the result of pique and injured dignity, arising out of the fact that the legislature disregarded the suggestions made by the court in the prior case of *In re* house bill, 21 Colo. 29, that it is worthy of but little consideration." Judge Lindsey, in *Everybody's Magazine* (Vol. 22, p. 242 note), says that "Even the laboring men, during these troubles, recognized that Judge Campbell's decisions were those of an honest prejudice due to his training and his temperament." This opinion was held by the Colorado court in spite of the fact that the same principle had been sustained by the supreme court of Utah, had been appealed to the federal court and there supported. This victory for the Utah measure did not assist in securing support for the Colorado law.

While the United States supreme court has these two decisions to its credit, there is another side to the account. One case is that of the New York bakeshop law. One of the provisions of this law was the limitation of the hours of labor for those working in bakery and confectionery establishments. The highest court of the state on appeal sustained the law. The supreme court of the United States held it unconstitutional. In this unusually interesting case twenty-two judges were on the benches of the several courts. Of these, twelve in all voted in favor of the law. In the highest state court it was sustained by a majority of one, and in the federal court it was overthrown by the same narrow majority. Five opinions were written by the New York judges and three in the federal court. Much of the argument that led to the annulling of the law is of the extreme conservative type. In some parts the opinions even border upon an attempt at the facetious, as where Judge Bartlett writes that the claims of danger to health in this industry "will surprise the bakers and good housewives of this state;" and further that the risks to health shown in the evidence are "not to be confounded with the avocation of the family baker, engaged in the necessary and highly appreciated labor of producing bread, pies, cakes and other commodities more calculated to cause dyspepsia in the consumer than consumption in the manufacturer." This opinion is to be classed as one of the most reactionary. The results were disastrous to a much-needed reform. The findings of a commission, the legislation based on those findings, and the views of the majority of the state's highest court all were set aside as unreasonable. The measure interfered with private rights. If the results are to be secured now it must be through the insistence of the bakers with prospects for a strike and much industrial loss. A further influence of this decision manifested itself as late as 1910 when the supreme court of Missouri on the authority of this opinion invalidated a law of that state, one of the provisions of which restricted bakers to a six-day week.

Even the briefest reference to this class of cases should not omit the widely known New York tenement house case. It has been the bulwark of protection of private property rights against public interests and in the view of most eminent authority it is directly responsible for the existence of tenement house problems, slums and sweatshops in all of our large cities. The opinion, it will be remembered, denied the constitutionality of a law

prohibiting the manufacture of cigars in tenement houses. The basis of the opinion was the freedom of the property owner to the income from his tenement houses and the freedom of the occupant to engage in his own home in any occupation that pleased him. That is to say, the law was a violation of personal liberty and private property when conditions as understood by the court did not warrant it. In this opinion the justices strayed so far from the reality of the present-day tenement life as to refer to the situation created by the law as one that was intended to improve the health or the morals of the cigar-maker "by forcing him from his home and its hallowed surroundings and beneficent influences to ply his trade elsewhere."

Space will not allow even brief reference to the experience of many of the states with social legislation. The socially necessary measures have often been subjects for legislation which courts have many times been called upon to test in the light of constitutionality. In some instances the laws have been upheld while in others they are annulled. The grounds on which the decisions are based are quite uniformly the unwarranted interference with property rights, individual rights and rights of contract. Industrial peace depends so directly upon the enactment of such laws that until courts come to view them as in accord with social necessity, and therefore not contrary to the requirements of the constitution, there must remain elements of discord.

Turning from this field of legislation it is necessary to consider the attitude of the courts when the activities of labor organizations are involved. Here there is also confusion. The difficult problem is in adjusting individual rights established in a day when industrial relations were simple to rights of groups in collective activity with industrial relations highly complex. The difficulties and the disagreements may well be illustrated by reference to strikes and boycotts. Slowly the right to strike freed itself from the charge of conspiracy and came to be generally recognized by the courts. But what are the limitations upon this right? The courts are not in agreement in their answer. Two views obtain and they are irreconcilable. One may be distinguished as the Massachusetts view and the other as the New York view. The former has been adopted in the majority of decisions. In the opinion of the Massachusetts court, as summed up by Judge Loring, "the legality of a strike depends . . . upon the purpose for which the employees strike."

In support of this view, and in further definition of it, the same court has more recently said that "whether the purpose for which a strike is instituted is or is not a legal justification for it is a question of law to be decided by the court. . . . The strikers must in good faith strike for a purpose which the court decides to be a legal justification for such interference. . . . A strike is not a strike for a legal purpose because the strikers struck in good faith for a purpose which they thought was a sufficient justification for a strike." The court nowhere defines the legal purpose in such a way that unions may be guided by the definition. Each instance must come as a separate case to be decided on its merits.

Compared with this view, that of the New York court seems extreme. As formulated by Chief Justice Parker it held in the most unqualified way that laborers may strike for any reason that seems to them sufficient. These reasons they need not even state. If they do choose to express them "their right to stop work is not cut off because the reason seems inadequate or selfish to the employer or to organized society." Here is a situation that contributes to industrial restlessness, and evidently must continue to do so as long as a strike that is legal in one state would not be regarded by the court of another commonwealth.

Though boycotts are so generally connected with strikes the courts treat them on quite different principles. The motive is generally held as material, and as it is to harm the business of another in order to force a concession on the part of its owner, that motive is easily understood to be unlawful. As to the present legal status of boycotts there can be no doubt. In some states they have been the subject of statutory enactment. Courts have decided very positively against them. The United States supreme court has held that they are not only in violation of freedom of interstate commerce but are violative of common law rights of property. "There is no doubt," it declares, "that at common law every person has individually, and the public also has collectively, a right to require that the course of trade should be kept free from unreasonable obstructions." In the Bucks Stove and Range boycott case this same court refers to printed statements such as "unfair" and "we don't patronize" as "verbal acts" expressive of "force not inhering in the words themselves, and therefore exceeding any possible right of speech which a single individual might have." In spite of these ex-

pressions, other opinions indicate that a distinction is beginning to appear. While the development is much tardier than in the case of strikes, there is a positive note indicating that the boycott is not to be uniformly condemned. If practiced within limits it is allowed in some jurisdictions. Even the principle accepted by the federal court is not followed by some state courts. The line of reasoning in these latter cases is too long to trace here. Four opinions may be introduced as evidence, however: *Payne v. Western Atlantic Railroad Co.* (Tennessee, 49 Am. Rep. 666); *Marx & Haas Jeans Clothing Co. v. Watson* (Missouri, 67 S. W. 391); *Lindsay & Co. v. Montana F. of L.* (Montana, 96 Pac. 127); *Parkinson Co. v. Building Trades Council* (California 98 Pac. 1027). In a still later case, *Pierce v. Stablemen's Union*, the California court goes even further in refusing to declare a boycott *per se* illegal. It argues that one may bestow or withhold his patronage as it may please him, thus placing the boycott on the same broad principle as the strike. With primary goes the secondary boycott, in the opinion of this court. Going further, perhaps, than any other opinion, it is held that strikers may engage in a boycott; meaning that they may withdraw social and business intercourse by all legitimate means, and by "fair publication and fair oral or written persuasion" may induce others to do the same. They may go further and use "moral intimidation and coercion" to "threaten" a like boycott, thus bringing in third persons, a secondary boycott. Here the court takes what it characterizes as "advance ground" and "recognizes no substantial distinction between the so-called primary and secondary boycott." Each of these forms rests upon the right of the union to control its own patronage and to induce by fair means others to do the same. As the unions would have the "unquestioned right to withhold their patronage from a third person who continued to deal with their employer," they must have the right to notify them of their intended action.

Such are some of the differences that have developed in the effort to formulate out of the old material principles that will be adaptable to the conditions of industry that prevail to-day. As with social legislation so in these instances evidence is not wanting that courts are making a distinct contribution to the interests of industrial peace, though disturbing elements are still present.

It is evident that before our courts can make themselves

of the highest usefulness in solving the perplexing problems of the present and in establishing more firmly peaceful relations in industry, some very important changes must be made in their attitude. In a more elaborate study the writer has endeavored to show more in detail the important elements of this situation. In "The Attitude of American Courts in Labor Cases," extracts from a large number of opinions are brought together from which conclusions are drawn. Stated briefly because of the limitations of space these necessary changes must include the following.

The sacredness of precedent, an exaggerated form of respect for former opinions and an overdone desire to preserve continuity in legal decisions, undoubtedly result in checking healthful lines of progress and estopping some highly beneficial legislation. The courts exhibit at times an almost blind devotion to this principle, and so long as they continue in this extreme the cause of industrial peace must suffer. Adherence to precedent must be less rigid. If conditions have so changed as to alter the applicability of a legal principle, the knowledge of such conditions must be as clear and keen in the minds of the court as that of the principle. This will bring greater freedom from the binding force of precedent and a correspondingly wider margin for variation to suit new conditions. There can be no doubt that blindness to conditions has led courts in the past into serious error, as they have insisted on enforcing a principle where conditions were no longer suitable for such a course.

Legal training, accountable for much that is reactionary, must be changed. Severe comment on the content of text-books, on the law's backward look and on the stereotyped phrase is already beginning to appear. The pages of law magazines are speaking in open criticism of the past and expressing clearly formed demands for the future to the end that courses of law be modernized and socialized. The relation between sociology and jurisprudence is a topic both timely and profitable. Some of our leading jurists have already indicated a sense of responsibility to the present as well as the past. The number is increasing. The sentiment that indicates hope for the future has been well expressed by Mr. Justice Holmes: "In my opinion economists and sociologists are the people to whom we ought to turn more than we do for instruction in the grounds and foundations of all rational decisions." Speaking again, this distinguished jurist declares that "the true grounds of decision are

considerations of policy and of social advantage, and it is vain to suppose that solutions can be attained merely by logic and general propositions of law which nobody disputes." That an increasing number of judges appear to be adopting the principles thus expressed, though in our haste the increase may seem exasperatingly slow, is an element that greatly brightens the outlook. Yet changes in this direction must come at a greater pace, as at best they can manifest their results but slowly.

The former views of individual rights must be decidedly modified. They must be given a social content. The possibility of individual rights remaining unmodified amid rapidly changing conditions of society is very remote indeed. While the declarations of rights in our constitutions have uniformly declared in general terms for equality of personal rights, such rights have never been uniform in fact. Applicable at first to civil conditions they are now being carried over into the industrial field. Here the equality has been less evident. Yet our courts have not fully realized this and have continued to use expressions once full of meaning in real life but now quite empty. Judges, as well as others, must apply what is really a very commonplace fact, that where there is a practically unequal distribution of rights, and an effort is made to equalize it, rights and privileges can be enlarged on one side only by curtailing those on the other. To continue to insist on the inalienable right of one in face of an expanding right of another is highly impractical. The slave had nothing to say concerning his condition. The owner had unrestrained freedom. It was impossible to free the slave without a corresponding limitation of the rights of the former master. Under conditions of individual wage contract it may fairly be assumed that in an earlier generation the rights to contract were about equal. More and more it is now true that men are employed by proxy and are hired in gangs. Conditions of labor are fixed by the employer and the laborer may accept them or let the work alone. Collective bargaining is one means of equalizing the situation. Yet when this method becomes so effective as to turn the tables against the employer and leave him a similar alternative, courts see differently. The federal supreme court in the *Bucks Stove and Range* boycott case discovers the inequality when it says, "But the very fact that it is lawful to form these bodies [labor unions], with multitudes of members, means that they have thereby acquired a vast power, in the

presence of which the individual may be helpless." When collective bargaining has not accomplished a needed result, legislatures have sought to equalize the conditions by statute. Some courts accept such measures as of practical necessity. Others reject them. The course of procedure in cases where these laws are overthrown is quite uniform. The argument presented is that the law is an infringement upon rights of contract. The employee is not at liberty to contract for long hours, irregular pay or some other conditions unfavorable to him. The employer thus takes up the fight in behalf of his employee whom the legislature is seeking to deprive of his constitutional rights. Hearing these rights expressed in the conventional form of individual relations, the courts lose sight of the conditions that really determine the situation and the decision is handed down in favor of the employer's contention. Be it said that at least twice the court has seen the real situation in the case. Once the Washington court points out that the law is contested only by contractors who would reap benefits by the law's repeal. Again, the federal supreme court shows that the employer virtually claims that the act "works a peculiar hardship to his employees whose right to labor as long as they please is alleged to be thereby violated." The opinion adds significantly, "the argument would certainly come with better grace and greater cogency from the latter class." Such interpretations of individual rights in modern industry as have been made in many of these cases cannot contribute much hopefulness for continued industrial peace. It is one of the lines in which most serious consequences follow. Constitutions are made instruments for depriving of their rights the very ones whom they are intended to protect and who stand most in need of their protection. A restatement of constitutional rights in terms social rather than individual is a change that is imperative.

Finally, a matter of prime importance in the interests of industrial peace is the attitude that courts take toward the common law. Common law is essentially changing in its nature. To contend that it has the permanency of the constitution seems wholly untenable. Yet such appears to be the view of some courts. The opinions in the recent cases of workmen's compensation may be taken in evidence, as they clearly show a difference of view and a tendency to confuse the common law with the principles of the constitution. In all of these cases it is freely admitted that the legislation is "economically,

sociologically and morally sound." To speak of the common law as adequate to the problem, declares the Wisconsin court, "is to jest with serious subjects, to give a stone to one who asks for bread." Speaking more directly in relation to the common law the Massachusetts court is of the opinion that "the rules of law relating to contributory negligence and assumption of the risk and the effect of negligence by a fellow servant were established by the courts, not by the constitution, and the legislature may change them, or do away with them altogether as defenses." Compared with these views the New York court manifests a different attitude toward this subject. The confusion appears most plainly when the opinion states that "The statute, judged by our common law standards, is plainly revolutionary. . . . The radical character of this legislation is at once revealed by contrasting it with the rule of the common law. . . . Under our form of government, however, courts must regard all economic, philosophical and moral theories, attractive and desirable though they may be, as subordinate to the primary question whether they can be molded into statutes without infringing upon the letter or spirit of our written constitutions. . . . When our constitutions were adopted it was the law of the land that no man who was without fault or negligence could be held liable in damages for injuries sustained by another. . . . It is conceded that [the liability in the new law] is a liability unknown to the common law and we think it plainly constitutes a deprivation of liberty and property under the federal and state constitutions."

In discussing thus the work of the courts it must not be inferred that they do not serve a useful purpose. Conservative forces society must have or there would be no continuity. Courts conserve our former experiences and enable us to profit by them. So long as changes come slowly there is time for a readjustment with less friction. But in our day changes come with unparalleled rapidity. Friction must be present because of the very nature of the work that our courts have to do. It may be greatly lessened, however, if judges will realize the facts and endeavor to be governed by them. A greater degree of socialization must come. At present it is coming without much assistance from the courts. It need not be so. With such changes accomplished as have been indicated the progress toward the socialization of industries will be rapid. The situation cannot be summed up in brief better than in the words

of the opinion from the Wisconsin court: "When an eighteenth century constitution forms the charter of liberty of a twentieth century government, must its general provisions be construed and interpreted by an eighteenth century mind surrounded by eighteenth century conditions and ideals? Clearly not. This were to command the race to halt in its progress, to stretch the state upon a veritable bed of Procrustes."

LIMITATION OF OUTPUT

WHO LIMITS OUTPUT?¹

Cost of living has been rising steadily since the armistice of nearly a year ago. It has risen to a point where relief must be secured. So long as the public was able to pay it paid, though not without complaint. Finally, however, the point of inability to pay has been reached.

The high cost of living situation has not been without its interest for Labor which must find itself involved in everything which has to do with the life of the people. In this case, as in so many other cases, a certain section of the public press has shown its willingness to misrepresent the position of labor, and to report falsely its activities. In the main, there have been two misstatements that end to give the public a discolored view of the case. These are:

1. That increases in wages are necessarily followed by increases in prices, which in turn are followed by demands for further increases in wages, to be again followed by necessary increases in prices, and so indefinitely around the circle.

2. That there has been an underproduction of goods, due to Labor's determination not to work at full speed. In other words, that there has been a limitation of output by Labor.

In the first place it is not true that increases in wages must be followed by increases in prices to the consuming public. If this were true it would follow that profiteering does not exist. It needs no proof here to establish the fact that profiteering does exist and has existed since the armistice, if not before. So high an authority as the President of the United States has made it perfectly plain that there not only is profiteering but that this profiteering is of the most flagrant and unjustifiable nature, and that it wants the most drastic action of the nation in the way of curtailment.

The fact is that instead of higher prices being made necessary by higher wages the reverse is the case. With the possible

¹ By Samuel Compers. International Molders' Journal. 58:878-81. November, 1919.

exception of a minor example here and there, of which there is no record, higher wages in every case have been made necessary by an inflation of prices which has made it impossible for workmen to live without an increased income. If, following increase in wages, prices have been again raised it is not because of pressing necessity but because of the desire for greater profit. Labor has been compelled to engage in a constant and bitter struggle to keep wages as near as possible to the ascending scale of prices.

Instances without number can doubtless be discovered where the addition of a fraction of a cent per article in wage costs has been passed on to the consumer by the addition of nickles and dimes and quarters in the cost to him. If a workman is compelled to face an increased cost of living of a dollar per week after getting a wage increase of 10 cents per week, nothing remains for him to do but to again seek a wage increase. This is exactly what is being done throughout the country.

It may be conceded that the supply of commodities in the world is below normal. It is a fact beyond dispute that during the period of the war much of the world's normal productive capacity was turned to the making of instruments of destruction, and that for this reason and for the reason that great masses of men were withdrawn entirely from production, the supply of commodities for normal consumption fell far below the average. But it is also true that the people everywhere understood the honest and actual shortage of supplies and made the best of it. Where there still exists a shortage due to the war they will continue to make the best of it, providing that shortage is not aggravated by profiteering. That section of the press which is not given to being overly careful in statements concerning Labor is likely to make no fine distinction between shortage of commodities and profiteering in commodities. Nor is it likely to do anything that will remove the impression that Labor, by its own decision, is contributing to the shortage of commodities through conscious limitation of output.

Typical of much that is appearing in the nation's newspapers is an editorial in the *Chicago Tribune* from which we quote the following:

If pre-war energy, expended at the then rate made possible the normal production plus enough to give us a slight surplus during the war, it follows that we can not replace that lost surplus and still maintain the normal demand by any lessening of energy.

Prof. H. G. Moulton explains that high prices is only a manifestation

of shortage and that obviously the shortage must be made up before normal conditions can return.

"We may eliminate all profiteering—however defined—(and incidentally the word has attained a brisk and spurious meaning—Ed.) sell all the supplies the government still possesses . . ." says Prof. Moulton, "compel the emptying of all storage warehouses . . . and we might temporarily reduce the level of prices by perhaps 2 or 3 per cent, though the result would undoubtedly be higher prices a few months hence. . . ."

We must not delude ourselves into believing that a hard fact can be dismissed by temporary expediency. The fact is that production is at a low mark. It must be restored by the application of energy. The way to have more food is to produce more food. When food is plenty it will be cheap. It is possible to seize such stores as are on hand and distribute them at reduced prices. But when these stores are gone they can not be replaced instantly. Prices go up again.

The whole tone of this expression is that the producers of the world are not producing, that the working people are not working as they ought to work. The working people of the United States have never considered, much less adopted, a policy of limitation of output, and in the last twenty years not even has any appreciable group of workers followed any such policy. It is foreign to every principle they hold and foreign to the whole code of ethics of the organized labor movement. It can not be too emphatically stated that there is on the part of the American labor no limitation of output of any character. The contrary fact is that there is in the United States unemployment due to the disinclination of employers to conduct their establishments at full capacity. Those who think with the *Chicago Tribune* and with Professor Moulton are thinking erroneously and in giving expression to their thoughts are doing the American working people a grave injustice. Furthermore, they are leading the general public to false conclusions concerning the remedy of the conditions and are therefore doing the nation itself the most serious disservice. It follows that if the nation is led to believe in an erroneous statement of causes it will arrive at erroneous conclusions regarding a remedy and therefore will find no way out of the difficulty.

The truth of the situation is well shown in a report to the chairman of the Council of National Defense, made by Grosvenor B. Clarkson, director of the council. The report has been transmitted by the chairman of the council to the members of Congress.

The report discusses most of the basic industries of the country and gives figures showing the extent to which the productive machinery of the country is idle.

In the matter of clothing, in which prices have been alarmingly increased, the report says: "The production of civilian

clothes and clothing suffered some reduction during the war, *and has suffered heavy curtailment for many months since the signing of the armistice.*"

Housing facilities suffered from curtailment of production during the war and "for many months following the armistice." The report makes the further illuminating statement that "the first half of 1919 shows a diminished production of raw materials and subnormal construction of new capital and thus indicates *failure to utilize an adequate proportion of our productive forces* in the preliminary processes of provision to meet future requirements."

It is declared that for one reason or another, "*there ensued after the armistice the disuse of a large proportion of America's productive capacity.*"

Certainly, a condition of this character can by no process of reasoning be attributed to the working people. Mr. Clarkson's report also makes this statement:

The very fact that prices of finished commodities, consumption goods, so-called, have *risen to an extent out of proportion to the rise in prices of raw materials* and perhaps out of proportion to the rise in general of wages, indicates that production and distribution carried on under these conditions is, in general, *yielding profits abnormally high.*

A condition such as is described in the paragraph just quoted can not be attributed and is not attributed by Mr. Clarkson to increased wages for working people. Mr. Clarkson's report indicates a condition of profiteering. It is just that.

In the matter of food the report points out what everyone must be aware of: the nation's food producing capacity increased during the war, a fact at once apparent to anyone who considers the extent to which the United States during the war supplied the world with food products. Yet Mr. Clarkson shows that "the average retail prices for 22 selected articles of food, which constitute from 35 to 45 per cent of the total expenditure of typical wage earning families, had increased on May 15, 1919, to 91 per cent."

It is further set forth in the report with admirable conciseness:

The high cost of living, in that sense in which that term stands for a condition of economic distress, implies not merely high prices, but a corresponding shortage of income with which to meet those prices without impairment of the standard of living. The high cost of living, in this important sense, means difficulty in securing the means of life.

A striking example of underproduction due to no forces over which Labor has control is cited by Mr. Clarkson in con-

nection with the boot and shoe industry. Those who are called upon to pay from \$8.00 to \$15.00 per pair for shoes will read with deep interest the following extract from the report:

The production of boots and shoes for the first quarter of 1919 was reported as about 60 per cent below the production for the last quarter of 1918. Plants were partially closed and in some cases it is reported that machinery was returned to the shoe machinery company. All in all, there were 75,000,000 less pairs of shoes produced in the first quarter of 1919 than in the last quarter of 1918. The census report shows a reduction of more than 25 per cent in the output of civilian men's shoes in the quarter ending with March, 1919, as compared with production in the quarter ending with December, 1918, and nearly 25 per cent reduction as compared with the quarter ending September, 1918. The reduction in output of women's shoes amounted to approximately 30 and 25 per cent, respectively, in comparing corresponding periods. The reduction in the output of shoes for youths, boys and misses was even more marked.

Other examples of similar import are to be found in the report but perhaps attention has been drawn to a sufficient number. There is, however, in the report, one point of further interest. In connection with the manufacture of cotton goods Mr. Clarkson recalls that during the war the watchword of the industry was "output, and more output," but he says that watchword "was not heard after the armistice." He further declares that "there soon developed on the contrary, groundless doubts about the future demand and hints of unhealthy fears of over-production."

If further evidence is required it doubtless can be produced in overwhelming volume. Not in any single case on record has proof been brought forward to substantiate the charge so easily made that Labor has been guilty of restriction of output.

Labor has been under the necessity of fighting insistently to maintain the American standard of living. It has been under the necessity of putting forth every possible effort to keep income through wages as near as possible within reach of the rapidly advancing cost of living. It has been the victim of profiteering and in one sense a contributor to that national disgrace.

Labor demands a real relief from profiteering. It understands thoroughly the necessity for production, being engaged constantly in doing the useful and essential work of the world, in shaping and making those things by which human life is made possible, and, at times, pleasant. It has a profound understanding of the value of commodities. It looks upon commodities as something to be put to useful purpose. It can have no sympathy with any purpose of any movement which has for its object the attaching of an inflated value to the products of toil.

Labor's effort is and must be an honest effort. There are fundamental reasons why Labor must forever frown upon the fight against all efforts to debase the fruit of Labor in the channels of finance and commerce. With every fibre of its being, for ethical as well as material reasons, it revolts against that which we have come to know and feel as profiteering.

Labor, with ample reason and proof, places the blame for the false situation in which the world finds itself squarely upon those who are masters of the productive machinery of the world. It demands relief of the most fundamental character. In so far as it can contribute thought and good will and helpful effort toward a solution of the world's difficulties, it will so contribute with eagerness and gladness. But there must be relief and remedy at once. To find that relief and that remedy the true situation must be recognized and all false statements and conclusions avoided.

That Labor is a contributory factor to the common distress because of a policy of restriction of output is one of the first and most flagrant examples of falsehood which must be discarded. Only a frank recognition of facts will help toward a final constructive solution and nothing less than that will satisfy a weary and war-worn world.

PRODUCTION THE GOAL¹

The urgent necessity for increasing and "speeding up" the output of munitions and other essential materials during the war, and the prospective unprecedented demands following the period of devastation and non-production, have focused attention, as never before, upon production—and its attendant problems. Probably never has there been such a large number of people from various walks of life, so many industrial managers and so many workers, in seeming agreement that the aim or principal problem of industry is production. But, in spite of this glib consensus of opinion on generalities, there has been little evidence of real thinking concerning the subject.

While a very worth while forward step in industry has been taken by this quite sudden and general recognition of production as the master aim of the industrial plant, yet it is doubtful

¹ By George L. Bell. Impartial Chairman, Men's and Boys' Clothing Industry, New York City. *Annals of the American Academy*. September, 1919.

if the forward impetus can be maintained and concrete achievement attained by this more or less emotional recognition of a general principle. The word "production" seems to have widely different meanings for many who agree in using the word to describe the principal problem confronting industrial plants. There would be more opportunity for real, constructive progress if we could arrive at an actual, though limited and partial, agreement on the subject.

As a fundamental basis of agreement industrial management must squarely face and accept the fact that the peoples of the world today are not and will not be interested in production at any or all costs, or in production that ignores the human factors. There was a time, not long past, when there was not a very general appreciation of the "safety first" movement, and even today there is a discouragingly large minority of industrial managers who do not feel it to be their imperative duty to take every precaution to protect the workers from physical injuries in their plants. But all except the most "conscientious objectors" to change of any kind must admit that during the war period a new spirit or consciousness has developed among all workers, and among many employers and managers, which not only makes impossible the evasion of responsibility for the physical safety of employes, but which demands prompt and careful attention to many more intangible and intricate phases of the problems presented by the human element involved in production. It is not a theoretical situation which we are facing in this connection, but present and pressing facts, already clearly apparent in most civilized countries. The forward looking industrial manager today realizes that no longer can he aim at increasing production and profits *ad infinitum* by methods arbitrarily devised by the management alone and likewise arbitrarily imposed on the workers. Whatever his individual opinions may be, he is confronted with the fact that workers in this new era are not and will not be interested in production unless they are given some voice in the determination of the processes of the plant and in controlling the conditions under which they work—or, as it is commonly expressed today, "workers must have more share in the management." Labor and enlightened employers present today a solid front in demanding that the workers must be considered as integral human parts of the plant and that industry must be so constitutionalized that some sort of real industrial suffrage or franchise is possible.

If, therefore, we are to arrive at any real agreement between management and workers to coöperate in increasing production we must conceive of the master aim of the plant as being such production as is compatible with a real and measurable degree of human happiness and content in the work. Obviously this aim must not be so constructed as to convert the plant into a mere experimental laboratory for the testing of "labor theories," for this would be merely reversing the former prevalent situation where the management imposed and tested its theories of production processes without giving much if any consideration to the effect upon the human factors. The aim must be carried out only by careful and scientific consultation and practical experimentation. The entire personnel of the plant must be made articulate in some way in order that each person may assume responsibility for and participate in the determination and definition of the production standards.

This modern concept of the aim of industry extends beyond the field of mere quantitative output and requires that each producing group render some greater service to the community and the world than the mere supplying of material goods. As a prominent leader of industry recently said, "Service to the world, not profit to ourselves, must henceforth be the guiding thought of business men." Plant owners and executives, therefore, must take the initiative and determine first their own functions and place in this new order. The board of directors of a large western department store, after an exhaustive study of this particular question, recently passed a resolution including the following paragraphs, which seem well worth quoting:

We emphasize that aspect of our proposed reorganization which may be termed the democratization of the establishment. But there is another way to approach the same situation. We would look upon the plant as a great training school in which every employee, from the executives down, is at the same time a student and a teacher.

It is just here that we as managers must find our excuse for existence. If every employee in this business comes to us fully trained, fully equipped to take his part properly in the scheme of things, then the employees are running affairs, and we can hardly justify our accepting profit. We are entitled to profit only in the measure of our contribution to the working of this business. Our task is not to sweep floors, to wash windows, to keep books, to fill orders and sell goods. Directly and immediately, that is the business of our employees. But it is our province to make better sweepers, window washers, bookkeepers, order fillers and salesmen of our employees. It is not enough if we be bosses on the job, and mere task-masters. We must constructively contribute to the symphony, by supplying ideals, by devising processes, improving methods, inventing equipment, and training hand, heart and mind, if we would earn that portion of the income called not wages, but profit.

But, it may be said, we supply the capital to run the business. For that we are entitled to interest, not profit. Or again, we buy the goods. In so far as that is true, we are entitled to wages, not profit. We assume

the risk, in bad years as well as in good. True, and for that we are entitled to another kind of interest, not profit. Profit, when justly earned, is a reward for a particular kind of service which the employees themselves do not contribute.

"The employee no longer exists merely to aggrandize and extend the personality of the employer, but the latter exists solely to make effective the totally different function of the employee." (Harrington Emerson.)

Failure to realize this magnificent opportunity we have to make of this business a grand training school of technique and character carries its own penalty. We have but mediocre help, and that is expensive. We have a rapid labor turnover. When we require a man to fill an important post, often we go on the outside. Lack of a system of training makes promotion a rare thing, and consequently deprives our people of hope based upon a laudable ambition. Our service to our customers cannot be the best. Consequently, our own profits are not so large as otherwise they might be.

The above paragraphs might be considered of little practical value if they were written as part of an academic treatise by a theoretical economist, but they embody the conclusions of a group of eminently successful business men made after an intensive study of their own establishment—an establishment generally admired by the public and which the casual observer would say was in no need of reorganization. Industrial executives must acquire something of this spirit if they, or their plants, are to render effective service in the new era that is upon us. Production must be made to serve individual needs, not merely the promotion of the general wealth. Production should be organized not merely upon the basis of money or profits but upon the basis of real human satisfaction. Stephen Leacock has well said, "The continued increase of the sum total of wealth as a concomitant of machine production does not of itself promote individual welfare, with which indeed, it has but little connection." Much of the present discontent among workers is undoubtedly due to the necessity for performing uncongenial, monotonous machine work that seemingly follows a blind alley and denies ambition opportunity. The plant must be so organized as to allow each individual in the producing group to see the complete picture of the aims of the plant and his part in the structure as a whole; it must afford opportunity for satisfying the creative instinct—the primitive human instinct of love of work, which is so apt to be thwarted by specialized machine production; it must provide the ladders of promotion which the worker may climb if he will.

Not all embracing formula can be devised for carrying out these aims of industry. There is an unfortunate tendency today to install static plans for the "solution" of the new industrial problems. In the attempt to encourage an interest in production, too many managers are adopting forms and phrases with

little real substance. With small appreciation of the full meaning and spirit of the goal toward which the new industrial world is groping, efforts are being made, usually in good faith, to impose cut and dried "profit-sharing" plans, "industrial legislative councils," or "shop committees," on unwilling or apathetic employes. Industry is ever changing and progressing; therefore we can have no uniform, static, nor rigid, "solutions" adaptable to changing conditions and the progressive succession of problems. The thing that is possible and that is truly necessary is the creation of the human machinery or organization, based on broad general principles agreed to by all in the plant, ready at all times to study and meet questions as they arise. The name and form of the organization matter little so long as all individuals in the plant are truly represented and given a real voice in evolving the answers to new or recurring problems and in adapting the aims of the plant to the developing ideals of production and service.

There is, however, the danger of a too sudden reformation and the consequent exercise of an autocratic paternalism in attempting to keep up with the new movement. There must be no "crusade" nor "campaign" which smacks of "uplift," for management and employes today have in common an abhorrence of being "uplifted." Though, as the result of panicky reaction to industrial unrest, many may try to build the new structure of industry on a foundation of mere emotional sentimentality, there must be a firm economic basis if the structure is to survive. Charity cannot be the compelling motive because it is not the aim to develop the industrial plant into an eleemosynary institution. Moreover, the workers who are seriously and sincerely pressing for a larger and broader participation in industry are not asking, and do not want, to be given things to which they are not entitled as a matter of economic and ethical right. If owners and managers alone determine and define the production that they think will best contribute to the happiness of the individuals involved, and if, with the generous gesture of industrial overlords, they give more freedom and opportunity to workers, the real and higher aims of industry will be degraded.

In the development of the economic basis for the new structure there should be collective or group action, for only thus can the idea of collective responsibility be engendered. Scattered, uncoördinated individual action should be avoided, for

interest in group production means that the plant becomes a real entity and power for service to humanity. The management and the workers must study and try to understand each other's peculiar and distinct problems, and they must work coöperatively in solving these problems. It is submitted that profit-sharing schemes would meet with greater success if the workers were taken into real partnership on problems as well as profits. Efficient management is, of course, the exclusive duty of the plant executives, but the workers would be more convinced of the sincerity and motives of the management, and more stimulated to productive effort, if the difficulties confronting plant executives were explained as fully as possible to all in the plant, and if the processes of reasoning and deduction upon which orders and plans are based were likewise made clear.

There is no doubt that each worker owes a fair day's return in labor for his wages, but before the employer can demand this return he must have fulfilled an obligation which is absolutely a condition precedent—the providing of efficient management. And in the new industrial order an ever higher and higher degree of efficiency will be required of management. Before we can talk of enlisting more general interest in increased production or of developing the higher conception of the functions of industry that seems to be struggling for expression, there must be a much more comprehensive, thorough and detailed study of the processes and costs of production. Management cannot spur the workers to greater activity by merely shouting "More! More!"; it must present definite standards of accomplishment for consideration by the workers and the proposals must be backed, not by the forceful language of a task master, but by convincing and accurate data obtained by exhaustive general research as well as intensive study of the plant operations. It is primarily the duty of the management to bring such information to the council table, and only with such information at hand can "every employe, from the executives down, be a student and a teacher" in the great permanent training schools which are to chart the paths of real service to humanity which industry is destined to follow.

Another development in the evolution of industry which is just becoming apparent is the breaking away from the habits of secretiveness, isolation and hostility between individual plants in connection with even non-competitive matters. It is now realized that competing as well as non-competing establish-

ments have many problems in common—and certainly, at least, the labor problem—in the handling of which they must coöperate. Standardization and constitutionalization of industries engaged in the same line of production on a national, if not an international, basis of research and determination of policies must assuredly come, and the spirit of provincialism must be discarded if we are to make worth while progress. To take part actively in such broader developments must be one of the conscious policies of every plant.

As a summary statement, it might be said that the keystone of the arch of the new industrial structure is to be found in the full publication of facts. Industrial relations should not be made into an involved "problem" through complicated and unnatural forms of plant organization. There should be established the simple principle that all the workers in the plant should be given an opportunity to contribute to the detailed study of all the facts bearing on finance, and on processes and costs of production, and all such facts should be open to full examination and discussion. If all the facts are not so exposed, then there is the suspicion of an unworthy motive in concealing something. Concealment is certainly not in keeping with the modern and rightful aim of the plant. With all the data before the management of the workers, there is an opportunity for openly arriving at an agreement on the principles and the methods of dividing the income of the plant—then there is some possibility of establishing the often repeated assertion that "the interests of employers and labor are really identical," because there will be some common gain to both in increased production. Arbitrary power on either side, whether in connection with industrial relations or any other human relations, is dangerous and unsound; there must be concessions of power by common consent which will result in common advantages.

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INDUSTRIAL INSURANCE¹

Medical Examination of Employees and Prevention of Sickness its Proper Foundation

Industrial sickness insurance constitutes a logical means by which society may equitably distribute the costs resulting from physical inefficiency. No sound argument can be advanced against the propriety of establishing systems of industrial sickness insurance nor against the economic necessity for such systems.

It is not the purpose of this paper to discuss the fiscal aspects of the question. It is enough to state, briefly, that since the State, the employer, and the employee are the beneficiaries, social justice demands that the costs of industrial insurance be borne by all three on a basis of equitable representation.

It is obvious, however, no matter in what way the burden of the cost is divided, that the best scheme of industrial insurance is the one in which an adequate reserve is maintained at a minimum cost.

It is in this respect that the majority, if not all the systems now in force, are defective, in that they contemplate providing for the cost of sickness or physical disability only after these have become facts. The employee enjoys the benefits of sickness insurance only after the disease or disability has lasted some time. In other words, existing systems of industrial insurance fail to recognize adequately that great principle at the root of all present-day campaigns in the interest of public health, namely, that of prevention. Too great attention has been paid to providing the sick employee with medical attention after he becomes entitled to it by reason of illness, too little to preventing the illness which entitled him to the benefit of the insurance. The basic principle of industrial insurance, therefore,

¹ By J. W. Schereschewsky. Public Health Reports, vol. 29, No. 23, June 5, 1914.

should be to prevent illness, rather than to pay the costs of preventable diseases and disabilities.

One of the chief objections urged against compulsory industrial sickness insurance has been its cost. Such insurance must, indeed, be costly so long as the principle of prevention is not taken into account. As soon, however, as our systems of industrial insurance are placed upon a preventive basis, we may confidently look for a great reduction in the cost, with the result of a widespread adoption of such systems, greatly to the benefit of society at large.

Granted, then, that systems for industrial sickness insurance, in common with other public-health work, should rest upon a preventive basis, the primary object of such insurance would be to detect incipient defects and diseases among workers, or to prevent the development of diseased conditions by proper precautionary measures. It is evident that this object will be most readily attained by means of the frequent periodic physical examination of employees and an inspection of their environment. In no other way can the first beginnings of disease be so readily detected, or the adverse influence of unhygienic conditions averted. It is to be understood, of course, that we are not to rest content with the mere detection of such incipient defects and diseases, or of unhygienic conditions among workers, but their discovery should go hand in hand with an earnest effort to discover the adverse factors at the root of the matter. The inquiry, therefore, is not to be terminated until the offending condition has been removed and progress has been made toward renewed health and efficiency.

It becomes evident in the course of such inquiries that not only must bad shop conditions be taken into account but the conditions of the worker's total environment be subject to scrutiny. In many instances the origin of the defective state may be the unhygienic home rather than the unhygienic workshop.

This means, in the medical organization of the industrial insurance of the future, that preventive work will greatly expand the horizon of our existing activities.

We are already beginning correctly to evaluate the importance of periodic physical examinations in maintaining a continuous state of physical efficiency. Whenever these have been carried into effect, they have resulted in the detection of numer-

ous defects, or diseases, in their incipency, and made it possible to apply suitable remedies before irretrievable damage has been done.

What is needed, however, for the sanitation of industries and the reduction to a minimum of the enormous annual loss to workers through preventable illness and disabilities is a rapid extension of such periodic physical examinations and an extension of the prophylactic work beyond the confines of the shop.

As an adjuvant, therefore, to the data obtained by the physical examination, the sanitary history of the employee, in order to be complete, will require the enlistment of the services of the social worker, or the visiting nurse, so that his entire surroundings and their effect in producing diseased states can be taken properly into account.

It is needless to say that industrial insurance, operated upon this preventive principle, should result in benefits of a far-reaching character. In the first place, it is the method, *par excellence*, by which the effect of industries upon individual efficiency can be properly studied. Under such a system we should not be long in getting at the basic facts underlying ill health in so many industries, and in working out appropriate preventive measures.

Moreover, an industrial insurance system, based upon the preventive work resulting from periodic physical examinations, should effect, to a notable degree, the establishment of hygienic standards of living throughout the country. The reduction in the loss of working days per employee from illness throughout the year should be notable. In this way great economic gains with diminished cost of production would result.

Another notable result would be the formulation of minimum hygiene standards for various industries, and the promulgation of uniform industrial legislation for their enforcement throughout the country.

Still another good effect of industrial insurance based upon preventive methods would be an increase in the efficiency of local health authorities. It is plain that the periodic physical examinations contemplated, taking into account, as they do home as well as factory conditions, must reveal many insanitary conditions which must, necessarily, be brought to the attention of the local health authorities for correction, when, otherwise they might not have been detected. In this way the value of the ser-

VICES of local health authorities to the respective communities will be **enhanced**.

Finally, the cost of industrial insurance, based on preventive lines, should be far below that of a system providing benefits only after the worker has become ill. The reserve necessary to any system of industrial insurance is, of course, dependent upon the average frequency of illness. If, by preventive measures, we succeed in reducing this frequency, it follows that the reserve, and consequently the cost of the insurance, may be reduced, after proper provision has been made for the cost of the preventive work. We are, therefore, justified in coming to the following conclusions:

1. Industrial sickness insurance is an economic necessity in modern social evolution.

2. The basis upon which industrial insurance should rest is the prevention of illness and physical disabilities.

3. Frequent periodic physical examinations of workers constitute the logical means by which defects and diseases can be detected in their incipency.

4. The scope of such examinations should be extended to include home as well as factory conditions.

5. Industrial insurance based upon preventive measures should redound greatly to the benefit of society.

- (a) by reducing the annual loss of time through illness;

- (b) by establishing hygienic standards;

- (c) by establishing minimum hygienic standards for industries;

- (d) by favoring the enactment of uniform industrial legislation;

- (e) by increasing the efficiency of local health authorities.

6. The cost of carrying industrial insurance based on preventive principles should be less than that of present systems

HEALTH INSURANCE¹

Whenever a number of people are subjected to a common risk which may entail loss upon them, the insurance principle may be applied if the risk is measurable. Since most of the

¹Address by John A. Lapp, Managing Editor of *Modern Medicine*, before the industrial section of the National Conference of Social Work, held at Atlantic City in June, 1919.

risks which people run have been found by experience to be measurable, insurance has come to be applied in many different fields. Insurance is merely a distributor of loss. It is based upon fairly exact calculations. Fire insurance measures the loss from fires and fixes the premium which each dollar's worth of property should be taxed as a premium to cover possible loss. Marine insurance measures the loss from shipping disasters and fixes the premiums that are necessary. Life insurance measures the number of deaths that are going to occur in each age group and fixes the premiums to cover the loss. Numerous other forms of insurance have been devised, including insurance against hail, tornadoes, accidents, burglary, plate glass breakage, fidelity, and others. Insurance is well established as a business proposition. Very few business men fail to protect themselves against serious loss of property. When insurance is conceived of as a universal matter applying to all people and all losses of a certain kind, it is even simpler of application and more businesslike than the voluntary forms of property insurance with which we are more familiar.

We are coming to recognize the fact that when the people of an entire State are subjected to certain risks which are measurable, it is good business to organize to certain risks which are instrumentality of the State, measure the risk, and pay the losses which happen at random to this individual or that. We have used this principle for many years without recognizing it as social insurance. Nearly every State provides a fund by the taxation of dogs from which the losses to sheep owners are paid. We have established the principle in insurance of bank deposits now in force in a number of States whereby a fund is collected from the banks in order to pay the losses to depositors through bank failures. Still later, we have applied in some States the same principle by the collection of funds from a tax on agricultural lands to pay the losses from hail. North Dakota and South Dakota have done this on a State-wide basis, as have also some of the Canadian Northwest Provinces.

Lastly, we have recognized that State-wide insurance of laborers against accident is a simple, practicable, and certain way of distributing the economic shock of accident. In a few States this principle is applied through the creation of a single State fund from which the unfortunate victims of accidents draw a part of their compensation and are provided with medical and surgical care.

Two Problems of Health Insurance Stated

These simple statements of the application of the insurance principle voluntarily and also on a social basis are made here for the purpose of clarifying our thinking at the outset on the subject of health insurance. They are too often overlooked. Some folks would make us believe that the proposal for social health insurance is some new, absurd proposition which has been evolved in fantastic minds, when, as a matter of fact, its coming is nothing but the evolution of sound social and business sense. Health insurance proposes to collect a fund from which the losses of sickness can be partly paid and medical treatment provided on a universal scale. The only problems involved are the measurability of sickness and the organization of the scheme.

We have plenty of evidence from every quarter to show that sickness is measurable. We know with fair certainty how much severe sickness will occur in a large group of people every year. We know what that loss entails in the way of lost wages, and we can readily measure what the necessary medical care will cost. In fact, we know far more in these respects about sickness insurance than we knew about accident insurance when workmen's compensation laws were put in force, and we know infinitely more than the people who started fire, life, marine, casualty, fidelity, and burglary insurance ever knew about the losses from these causes before they successfully established insurance.

In fact, we have a very good measure of the amount of sickness which occurs in any normal group of working people. All the evidence, which appears to be overwhelming, shows that each worker suffers about nine days' sickness every year, and that $2\frac{1}{2}$ to 3 per cent of the people are sick at all times. The findings of the health insurance commissions of Illinois, Ohio, Pennsylvania, and Connecticut, from a study of 131,000 cases of disability, showed that 20 per cent of the workers suffer a disabling sickness every year, lasting for more than seven days. These figures show that the cases of sickness lasting more than seven days averaged about 35 to 37 days each. These figures are borne out by innumerable investigations, and particularly by an unpublished study of the Workmen's Sick and Death Benefit Fund of America, New York City, made by the United States Bureau of Labor Statistics, and by studies of the Federal

Industrial Relations Commission and of the United States Public Health Service.

Not only do we know how much sickness occurs in the group but we know with fair exactness how this sickness falls on the different people in the group. It appears that 20 per cent of a normal group will suffer a disabling sickness lasting more than a week; that about 65 per cent of those that are sick will be disabled for less than 30 days; that nearly 20 per cent will be sick for four to eight weeks; that 6 per cent will be sick from eight to twelve weeks; that 3 per cent will be sick for more than 6 months; and 1.3 per cent for more than a year.

We know further that sickness varies with age and that it falls more heavily as men grow older. The exact figures as shown by the Workmen's Sick and Death Benefit Fund of America are as follows:

CASES OF SICKNESS LASTING MORE THAN SEVEN DAYS

Age.	Average compensated days.	Length of time (days) each case lasts.
20 years	3.0	22.9
25 years	3.1	29.4
30 years	3.7	32.6
35 years	4.8	39.6
40 years	4.3	35.0
45 years	4.5	35.1
50 years	5.6	39.1
55 years	7.1	44.0
60 years	8.6	49.5
65 years	9.1	49.4
70 years	15.1	65.9
Total	5.1	38.9

We know, too, that sickness varies according to occupation, in some occupations rising to two and three times the rate of other occupations. We know also that there are some variations according to sex. These facts we know with fair exactness. They are not disputed by any intelligent and honest person.

We have, then, here the proper basis for the establishment of an insurance system. We know pretty nearly how much sickness there is going to be among a million people. We know very nearly what the sickness will cost. All we need to do is to apply the same principles which we have already applied in other respects and provide for the distribution of the burden of sickness on a communal basis. It is not a leap in the dark. It is not a blind attempt to do the impossible. It is simply the application of well-known and well-established business principles to the solution of the problem which hangs as a cloud over the

lives of the people. We know how much sickness there will be in a group, but we do not know upon which individuals the cost of sickness will fall.

Economic and Social Results of Sickness

What are the plain results of sickness? It hardly seems necessary to repeat them, and yet there are those who would deny even the simplest truths when those truths are inconvenient to them.

Sickness drives people from a higher to a lower standard of life. It drives people from independence to dependence. It keeps thousands on the brink of poverty and it keeps millions in the fear thereof. When the wage earner is taken sick, his wages stop. Rarely are wages paid beyond the hour when the man quits work. But his expenses do not stop—they go on and increase. To them are added the cost of medical care, if the man does not immediately seek charitable aid. Slender resources are soon used up. Everyone who appears to have the slightest presumption of knowledge is very well aware that the rank and file of working men are only a brief space away from economic distress. Perhaps the man has some personal credit or some helpful friends, but even the benefits of these are soon used up if the man happens to be one of the million and a half who are sick for four to eight weeks, or of the 230,000 who are sick for more than six months.

The next resort is the chattel loan. Here we find that 35 to 50 per cent of loans are due to sickness. The next resort is the associated charities. Here again we find that 35 to 50 per cent of applications are due to sickness. The last resort is outdoor public relief, of which we have very little satisfactory statistical evidence. We found in Ohio, however, that 30 per cent of the people in county infirmaries had been reduced from independence by sickness, resulting in their going to the poorhouse and that 40 per cent of the old people in private "homes" were because of the calamity of sickness at some time in their lives.

Health insurance merely attempts to stop this steady decline from a higher to a lower status. It is intended to insure people who are now independent and to keep them from going the downward path toward the brink of poverty. It is intended to stabilize society above the poverty line so that from this one cause fewer people shall descend in the scale of life. No one

can study the figures on this subject and reflect upon the facts disclosed without being convinced of the necessity of something to prevent the decline in human values and no one can understand insurance principles without being convinced that the solution of the problem rests in social insurance.

Compulsory v. Voluntary Health Insurance

The question is raised at this point: "Why make it compulsory; why organize it on a universal scale?" "Why not leave it to voluntary action?" The answer is simple. If it is left to voluntary efforts it will cost far more than it would as a social enterprise. The cost would in fact be more than doubled. We have the example before us of the burial insurance companies which have been insuring people against a pauper burial on a voluntary scale. They probably manage their business well—no one has lately charged them with a lack of efficiency. During the last three years they have collected \$448,000,000, and have paid in death claims, \$148,000,000, or about 33 per cent of the amount collected. The people have paid for the privilege of voluntary burial insurance in the last three years the sum of \$300,000,000 over and above what they were paid for burials. The casualty insurance companies on a voluntary basis have collected in the last twenty years \$402,000,000 and have paid in losses \$175,000,000. Nearly 56 per cent of this enormous sum goes for the privilege of regaling ourselves with voluntary insurance.

Workmen's compensation insurance companies in the last five years have received \$125,000,000 and have paid \$55,000,000. Mutual workmen's compensation funds have received \$17,000,000 and have paid \$7,000,000. Commercial health insurance companies in fifteen years have received \$74,000,000 and have paid \$33,000,000.

These huge sums of money have been sacrificed to the principle of voluntary insurance. Set over against them is the record of the Ohio Workmen's Compensation Insurance Fund, operated on a State-wide compulsory basis, which shows a charge of 3½ to 5 per cent for the conduct of the business. A pencil and a piece of paper will very quickly tell you what we have paid for the privilege of having voluntary insurance. Universal social insurance removes the cost of solicitation, removes the profits of insurance carriers, removes the absurdly high salaries of insurance officials, and in many ways makes the

money of the insured go further in providing him the benefits which he needs in a time of calamity.

The extent to which voluntary health insurance is now purchased is the best evidence of its probable failure to meet the need for universal insurance. Only about 33 per cent of the workers carry any health insurance. Such insurance as is carried amounts to \$5 to \$7 a week for about thirteen weeks and practically no medical service. In the United States only about 3 per cent to 5 per cent of losses is distributed by health insurance. There is no evidence that outside of the larger establishment funds, medical and cash benefits can ever be so combined and organized as to be effective.

The Cost of Health Insurance

The facts of the case from beginning to end, with scarcely a single exception, point to the desirability of establishing a State-wide human depreciation fund by the collection of premiums from those who are responsible for sickness and for its care. We know now who those parties are. It is perfectly clear that industry is responsible for some diseases, the individual is responsible for some, and the community is responsible for some. It is equally clear that two or more of these factors combine in certain other cases to cause sickness. It is perfectly clear that the line can not be drawn where industrial responsibility stops and individual responsibility begins, or where the community responsibility begins or ends. Tuberculosis, for example, is caused by a combination of two or more of these factors. A study in Cincinnati by the United States Public Health Service indicated that in 442 cases, 18 per cent were due to industry; 32 per cent to heredity; 10.8 per cent to intemperance and vice; 9.7 per cent to housing; and the rest from undefined causes. This is merely illustrative of the interrelation of causes of sickness. No one can honestly say or believe that industry and the community should not share with the individual the cost of sickness. We have heretofore put the principal burden—in fact, practically all of it—on the individual. It is time that our social conscience be awakened from its slumber and having taken cognizance of the awful consequence of diseases, that we shall join in a large cooperative undertaking for the creation of a fund through the payment collected from causative factors, so that the burden of sickness shall not fall as it now falls—upon the individuals who happen to be sick and at a time when they are least able to bear the extra burden.

It seems almost incredible that anyone would here raise the question of cost. It seems absurd to mention it in this paper. There are thousands, however, who make the absurd claim that health insurance will be so costly as to overwhelm us. Figures are cited to make this loss appear even more excessive than it is. How childlike the simplicity of such people. If sickness is costing \$2,000,000,000 to-day, somebody is bearing it, and who is that somebody? If the burden is too great for the whole society to bear, it is a pretty fair evidence that it is altogether crushing for the few who must now bear it. If it be true that health insurance would cost too much, then the social order is bankrupt. It is even worse than bankrupt because it compels the weakest portion of society at the time they are weakest to bear the impossible burden which it is claimed can not be borne without serious disaster by society as a whole. Such arguments reduce to absurdity. Health insurance means the redistribution of a burden which now falls unevenly. It does not cost money, it distributes cost already in existence, and it does it without doing harm, as has been shown in all countries, even our own, wherein we distribute certain burdens by means of social insurance. The load of sickness is comparatively easy to carry when it is distributed over the whole body. The soldier who would attempt to carry his burden attached to his feet would not get very far; even if he carried his burden in his two hands he would soon tire out. Distributed scientifically over his entire body, he carries it with comparative ease. We are carrying our sickness burdens around our feet. It is time that we distribute them scientifically over the entire body.

Opposition to Health Insurance

The opposition to health insurance has made strange bedfellows. The lions and the lambs are lying down together, but if I mistake not, the lambs will have to be renewed occasionally. The principal opposition comes from burial insurance companies and from casualty insurance companies. It needs no particular acumen to understand why. The fat sum of \$100,000,000 in expenses and profits annually on the part of burial insurance companies alone well accounts for their opposition. The sum of \$40,000,000 of profits and cost of administration in the case of casualty companies might well be taken as an indication of the reason for their opposition. These organizations with money to spend, mostly the money of the policyholders,

have attempted to poison the minds of other organizations. They have organized associations with fictitious but high-sounding names and have subsidized others. They have flooded the country with literature, more than 75 per cent of which is false in its statement of simple facts. They have attempted to make the doctors believe that health insurance would ruin the profession, at the same time handing out honey phrases about sickness prevention, which, when analyzed, indicate that the same companies are attempting to lead the doctors to State medicine, wherein the doctor will become the employee of the State in preference to the organized scheme of medical practice which would prevail under health insurance. These same forces have tried to lead the great fraternal movement in opposition to social health insurance by making them believe that fraternalism was doomed. As a matter of fact, not over 2 per cent of present losses from sickness are being carried by fraternal insurance orders. Surely, the great body of men whose inspiration is fraternalism would sacrifice, if sacrifices were necessary, the 2 per cent of sickness insurance which they now carry in favor of a social scheme which would take care of a large part of the rest.

GROUP INSURANCE¹

One of the newer forms of industrial service work is group insurance. Originated seven years ago by a leading insurance company of New York, it has been adopted by a large number of other insurance companies and has been pushed vigorously by them among industrial organizations. There are today hundreds of group insurance policies in force in the United States and the total amount of insurance is very large.

Group insurance is life insurance covering all or a certain portion of the employees of an industry, and provides that in case of death while in the employ or on the payroll of the company that a certain indemnity shall be paid to the beneficiary designated. In the first policies issued the amount of insurance was equal to the yearly wage or salary of the employee, but now in most instances the amount of insurance is either \$500 or

¹ By H. W. Kimball. *Industrial Management*. 57:154-6. February, 1919.

\$1,000. Very often arrangements are made for the insurance to increase from year to year until a certain specified maximum of insurance is reached, and thus length of service gives added benefits. Often the employees are divided into classes and the married men are insured for larger amounts than the unmarried men and women. Some employers arrange for the insurance to begin as soon as the employee is hired so that the prospective worker can be told "The moment you enter our employ you are insured for \$500." Other companies provide that the employee must have worked three or six months before being eligible for insurance. By this method it is hoped that the new employee will be induced to stay.

No Medical Examination

One of the most important features of this group insurance is that no medical examination is required. The plant itself and the workers as a whole are inspected by the insurance company and if approved all the employees are accepted for insurance. Inasmuch as probably 15 per cent. of the employees of the average plant would be rejected for regular insurance on medical grounds, group insurance enables an employer to offer insurance protection to a large number of his employees who otherwise could not obtain it. Many of the policies provide that the insurance money shall be paid in monthly installments of \$50 or \$100, because coming in this way rather in a lump sum the money will more likely be used wisely by those receiving it. Disability clauses are included in the policy contract providing either that the insurance may be kept in force in case of total disability, or else that after one year of total disability the insurance shall be paid in a certain number of annual installments. A certificate is issued to each person insured, explaining the details of the insurance, and this certificate usually contains a picture of the plan and a letter signed by some officer of the company.

Premium and Cost

The kind of insurance issued under this group plan is known in insurance language as yearly renewable term. The premiums are figured on the attained age of each employee and the premiums are paid monthly on the basis of the number of persons actually insured that month. The premium cost for each individual increases year by year, but it is assumed that the total

yearly cost to the company will not vary much from year to year. There will be a change in the personnel, but as the older men are more likely to die and their places will be filled by employees at younger ages the average age of the plant will not be likely to increase. The cost of this insurance is exceedingly low. The expense in an average plant will not exceed one per cent. of the amount of insurance per year, and some companies by large dividends have reduced the net cost so that per year for each \$1000 of insurance it does not exceed \$6 to \$7.

Arguments Used in Favor of the Plan

There are five arguments advanced for group insurance:

1. It reduces labor turnover. The man who knows that the company without cost to himself is providing life insurance protection for his family, will not only feel more kindly toward the company but will be less likely to leave its employ. How far this is true it is difficult to say. The influence upon the worker is psychological and very hard to weigh. The mere fact of the insurance will not keep any man who is dissatisfied from leaving. It will not hold him if a more lucrative job is offered elsewhere. But without doubt it helps to create a certain feeling of contentment and a sense of security so that the spirit of discontent is not so easily awakened. Certainly the man will not be so likely to be looking elsewhere for work. Moreover, it has been found that where the wives and mothers of employees are familiar with this group insurance they have realized its value even better than those who are insured, and have often used their influence for the continuous employment of their husbands and children.

2. Group insurance establishes good will. The reputation of any company is one of its most valuable assets, and a reputation among the workers for fair and liberal dealing is much to be desired. A company of whom it is said, "It looks after your family if you die" has done something to create a favorable atmosphere. By this insurance an employer says to his workers, "If, while you are in my employ you should be taken sick and die, I will see that for a certain number of months your pay envelop is continued to your family so that they will not be in want." As time goes on and these death benefits are paid throughout the community, this feature of employment will be talked over in the homes and a feeling of kindness toward the company will result. But group insurance alone will not pro-

duce good will. It cannot overcome any reputation which the company may have for shrewd and narrow dealing. If this is the feeling group insurance will be thought of as simply a sop thrown to the workers. But if the various activities of the company are all in the direction of justice and liberality then such insurance will be an added influence for good will.

3. This form of insurance can be used as a reward for continued service. A growing feature has been to start this insurance at a minimum amount of perhaps \$250 or \$300, and increase the amount of protection \$100 each year until a maximum of \$1000 is attained. In this way the longer a man is in the employ of the company the larger his insurance protection. If care is taken each year to notify the employee of this increase it has a good effect. A printed card or letter tactfully worded and signed by some official should call the attention of the worker to the increase.

4. Group insurance affords a much needed protection for the families of workers. It is an altogether too common experience to have some employee die and then to find that his family has been left almost destitute. Sometimes the company provides for the most immediate needs of the family; often a paper is passed through the department in which the employee worked and a sum of money is collected. But these methods of providing for the time of need are make-shifts and carry the stamp of charity. Group insurance makes an adequate provision and is received not as charity but as a benefit which properly went with the man's job.

5. Group insurance eliminates one argument for trades unionism. Organizers of trades unions often point to the death benefits which are paid by their organizations as a reason for membership. I know of a number of firms who have adopted group insurance so that they could tell their employees that it was not necessary for them to join any union in order to receive insurance protection.

Trades Unionism and Group Insurance

In this connection it may be said that trades union sentiment on the whole has not been in favor of group insurance. Trade union papers have stated that so far as known it has not been introduced into union shops. At the present time this is not the fact, as within the last two or three years policies of group insurance have been issued for industries working under union

conditions. Ardent unionists regard this movement as a subsidy designed to keep the worker quiet and contented, and they feel that its cost is an amount withheld from wages.

They have also argued that the insurance can at any time be discontinued by the employer, that such discontinuance can be used as a threat to keep the employee at work, and that if the insurance is discontinued the worker finds himself without an insurance protection which he had depended upon, and perchance at his age unable to get insurance elsewhere.

This last argument loses something of its force because now almost all group insurance policies provide that in the event of termination of employment an employee may without medical examination convert his group insurance into any form of insurance issued by the insurance company. This policy is issued at the then current rates. This feature makes a good talking point and is very fair to the insured, but in actual practise its value is very limited. Few men on leaving will take the trouble to get in touch with the insurance company and take the steps necessary to keep the policy in force.

Arguments Against Group Insurance

The arguments against group insurance may be summarized as:

1. It does not accomplish what is claimed for it. Investigations in many instances have shown that it has been apparently valueless to hold the worker in face of the lure of a better job. Nor does group insurance cast out of a man that inherent restlessness which impels him every once in a while to shift his place of employment. Its effect upon labor turnover often appears negligible. After a little men receive it as a matter of course, and do not have any more loyal feeling toward the company because of it.

2. The real value of this insurance protection is very small. As soon as a man's name is taken from the payroll his insurance ceases. With the drifting of workers from one industry to another, the man very often is taken sick while out of work or when he has not been long enough at his job to be entitled to insurance protection. The experience of the insurance companies is that a large proportion of the death claims paid are the result of accident, suicides or sudden death from pneumonia or heart failure. Moreover, the worker who has some chronic disease of which he finally dies often leaves his work before he

is sick unto death. He just gets through, is dropped from the payroll of the company, and so loses his insurance protection.

3. Group insurance is simply a form of paternalism. The company does for the worker something that he had rather do for himself. The attitude of many manufacturers after experimenting with various forms of welfare work is that it is far better just to pay the best wages possible and leave the employee to care for himself as he deems wise. This also is in general the point of view of the trade unionist. He wants the highest possible wage and freedom to provide for himself. He prefers to buy his own insurance. He fights shy of any insurance which binds him to the company. Paternalism is an out-grown form of relationship, and has been supplanted by independent bargaining. The next step in industry is not a return to paternalism but forward to some form of coöperation.

4. The employer can carry this insurance more cheaply himself. The insurance companies would not undertake this business if it were not profitable. In fact to date it has been very profitable for them. A number of years ago a large concern took out insurance for its employees and paid a premium of about \$8000 a year. In two years there were two deaths with insurance of \$1000 each. Some \$3000 were paid back in dividends by the insuring company. This concern concluded that it could much more cheaply carry its own insurance, discontinued the policy contract, and since then has paid the death benefits itself. A large concern can doubtless do this and save money. If a sinking fund is established and each month the amount that would have been paid to the insurance company is placed in that fund any concern over a period of years would doubtless find that the insurance cost had been lessened.

There are two arguments against such self insurance:

1. There is always a certain chance, small indeed, yet real, that some catastrophe or epidemic may cause so large a number of death claims. Insurance is based on the law of averages, and the insurance companies carrying groups in many different sections can easily meet a situation that would swamp any local concern.

2. It is argued by the insurance companies that the workers will not have the same confidence in the insurance if it is carried by the company employing them as they will if the insurance is issued by a large insurance company with a national reputation. The force of this argument is largely dependent

upon the confidence or lack of confidence which the employees have in the company for whom they are working. The company can cancel the insurance policy at any time, and an insurance certificate issued by any well established organization would probably be as valuable so far as insurance protection is concerned as that issued by an insurance company.

Selling Group Insurance to the Workers

The art of selling group insurance to the employer has been carefully developed, but there is even more need, if group insurance is to succeed, that it be sold effectively to the workers. A fact not clearly recognized is that the value of group insurance in any industry depends upon the thoroughness with which it is understood by those who benefit from it. Many manufacturers have hastily adopted group insurance, given insurance certificates to the employees, and felt that they had done all that was necessary. But a large proportion of the employees probably had very little idea of what they were receiving, and certainly were not impressed with its value. Group insurance to be well worth while must be well advertised. One concern of which I know explained the plan in a series of leaflets placed in the pay envelopes, then group meetings of the employees were held and the plan was described more in detail. Questions were asked and answered. Every objection was fairly met. Certificates were then issued but the group plan was not allowed to drop out of sight. Through bulletins and through the plant paper its advantages and the stories of those who have benefited by it have been kept before the workers. In that factory group insurance has been understood and appreciated.

Group Insurance and Mutual Benefit

Perhaps one of the most satisfactory plans of conducting group insurance is that adopted in various plants of combining group insurance with a mutual benefit association. The employee pays his dues as a member of the association and in this way provides for benefits to be paid him in case of sickness, and the company agrees to cover each member of the association with insurance protection. This is true coöperation. The employer says to his employees, "You do something to protect yourself and we will meet you half way. Together we will see that you have adequate protection against both the hazards of sickness and of death." This plan has worked well wherever

adopted. It makes the insurance something more than a gift. It links up the insurance with an organization of the employees, and keeps its benefits before them.

Group insurance is growing in favor. Where adopted it has rarely discontinued. It affords valuable protection at a low cost and where clearly understood by the workers has created good will and has tended to accomplish the good claimed for it.

SOCIAL INSURANCE IN THE UNITED STATES¹

Social insurance may be defined as mutual risk bearing from which the elements of competitive costs and private profits are excluded. Social insurance is not necessarily state insurance; any form of mutual non-competitive and non-profiteering insurance is true social insurance. Accepting this definition, it is evident that insurance against property losses due to fire, flood, hail, lightning, etc., may be covered by social insurance as well as insurance against personal losses due to accident, illness, old age, invalidity unemployment, and death. In this country it is usual to refer to workmen's accident compensation as a form of social insurance. In fact, but very few of our states have provided in their compensation laws for community insurance against the losses due to accidents, and in but three or four states are the state accident funds so organized as to exclude the persistent and pernicious elements of competitive costs and private profits. Social insurance against property losses is much more in evidence in this country than social insurance against personal losses. The insurance of shipping instituted in the United Treasury Department at the outbreak of the great war is an instance of true social insurance. In this instance private, profiteering insurance was absolutely inadequate to cope with the situation. Insurance rates in the private companies were utterly prohibitive, so the United States government went into the insurance business and by reason of its virtual monopoly in this field was able to eliminate the costs of securing business by competitive advertising and agenting and to distribute losses of ships and cargoes over such a large number of ship owners and cargo owners that costs were brought down within reason. The

¹ By Royal Meeker. United States Commissioner of Labor Statistics. Proceedings, Conference of Social Work. Pittsburgh, 1917.

results have been most beneficial, as otherwise shipping rates would have driven shipping from the seas more effectively than German raiders and submarines.

The term social insurance as used today, however, always refers to insurance against personal hazards of workers or those in the lower income groups. In this sense there is almost no such thing as social insurance in the United States. By way of illustration, take the state of Pennsylvania which has a state insurance fund in which employers may insure against the risk of injuries to their workers from industrial accidents. The Pennsylvania state fund, however, cannot be correctly designated as an example of true social insurance because, first, it does not provide for a true communal risk bearing, and, second, the element of private profits is not eliminated from the premium rates. The risk is not carried as a community risk because the insurance business is still carried on as a competitive business in Pennsylvania. Instead of industrial accident risks being carried mutually either by the state, local communities or different industries, we find the state dotted over with private, profit-seeking, intensely competitive insurance companies. Profit, not mutual apportionment of losses, is the underlying principle of all insurance undertaken as a private enterprise. In Pennsylvania it is necessary for the state fund to compete with private insurance companies in securing business, therefore the heavy overhead charges inevitable in private, profiteering, competitive insurance still persist.

The socializing of insurance means eliminating competition and the consequent advertising expenses and other charges due to rivalry. Socializing insurance will bring about four great economies which will reduce enormously the present excessively high overhead charges which put any adequate insurance beyond the reach of the ordinary workingman or working woman.

(1) It will eliminate the expense of getting and keeping policy holders. The items of expense which rank *casualty*, *health*, and the so-called *industrial* insurance among the most expensive luxuries offered for sale are the expense of writing new insurance and of renewing expired or lapsed policies.

(2) It will eliminate the expense of collecting premiums, which in the case of *casualty*, *health* and *industrial* insurance means a very large proportion of the very high expenses for these kinds of insurance.

(3) It will eliminate the expense and risk of properly in-

vesting the funds collected in premiums. The hazards of investment are brought home to us in these precarious times when war conditions are playing ducks and drakes with investment values.

(4) It will eliminate the expense of profits whether these profits go in dividends to shareholders or in unearned salaries to officials.

All these items of expense will immediately disappear upon the establishment of true social insurance, and insurance instead of being a prohibitively expensive luxury will become what it should have been from the beginning a cheap necessity within the means of every person who needs it.

The subject of social insurance is one of the most vital questions confronting us at this time. Attempts have been made to minimize the importance of insurance and lay emphasis upon the prevention of accidents, disease, and death as of vastly greater importance than compensation insurance against these hazards.

Our workmen's compensation commissions have, as I see it, three great functions to perform:

- (1) To prevent all preventable accidents;
- (2) To cure all curable injuries;
- (3) To compensate all compensatable disabilities.

It will be admitted without discussion that it is immensely more important to prevent a workman from getting his hands crushed in the calendar rolls in a rubber mill, than it is to give him surgical and hospital treatment to restore as fully and as quickly as possible the use of his maimed members. But not all accidents can be prevented. It is axiomatic that the surgical and hospital treatment needed to transform a *total* permanent disability into a *partial* permanent disability is immensely more important to the injured worker and to society than the doling out of compensation payments. All experience shows that money expended in restorative treatment of disabled men and women is the best kind of good economy. Yet the sums the commissions may expend for medical, surgical, and hospital treatment range from nothing in Washington and Wyoming, \$25 to \$75 in Pennsylvania, up to \$300 for special cases in West Virginia. Nine states and Porto Rico have no specific limit on expenses for restorative treatment, but one of these states, Texas, limits the time of such treatment to one week, and Oklahoma allows only 15 days' treatment.

Although adjusting and awarding compensations are much less important than the first two functions named, this third function is by no means unimportant. Indeed, the compulsory payment of compensation for industrial accidents is the only thing that brought home to employers the fact that accidents are the worst form of extravagance; that every accident costs money; that a high accident rate connotes inefficiency in shop management; that most industrial accidents are not providential and predestined, but, on the contrary, are preventable; and that a failure to prevent preventable accidents is inhuman as well as costly.

We are beginning to realize that accidental injuries are not fore-ordained from the foundation of the earth. We have not yet begun to think in this way about illness or even about accidents other than industrial accidents. I feel very strongly that the workmen's compensation laws should be extended in scope immediately to include all occupational illness, and, as soon as public sentiment can be educated, to include all accidents whether in the course of industry or not. It makes no difference to an injured man and his family whether his leg is burned off by molten metal in a foundry or whether it is cut off by a trolley car in the street. The incapacity he suffers is the same in either case. The payment of compensation for incapacities suffered through street accidents will add considerably to the amounts paid in compensation, but it will not add to the accident *burden*. On the contrary, it will lighten this burden which now falls with crushing weight upon the victims of non-industrial accidents and their families, by distributing their burdens more equitably and by directing attention to the fact that the burden exists. One of the most peculiar and exasperating psychological phenomena to be found anywhere is that pseudo-economic notion that accidents and illness cost nothing as long as the state makes no provision to pay anything to the victims or their dependents. So long as we collectively and persistently keep our eyes and minds closed, accidents and sickness have no existence for us. Compensation laws did not create industrial accidents. They merely provided a more equable distribution of that burden which theretofore was being carried by relatives and friends of the victims and by the poor-houses and other charitable institutions, on the part of the public. As soon as employers were obliged to bear some part of the burden of industrial accidents, they became much interested in Safety First,

with the result that accident rates, if not absolutely lower than formerly are doubtless much lower than they would now be had there been no compensation laws enacted.

Our compensation laws must be simplified and strengthened in their administrative features as well as extended in scope if they are to accomplish what we have a right to expect of them. The administration of our compensation laws is now too much taken up with the relatively unimportant business of merely handing out compensation doles to injured workmen. Our industrial boards and commissions are doing all too little in the way of preventing accidents and are doing almost nothing in the way of medical, surgical, and hospital treatment to restore injured workers to industry as quickly and completely as possible. This failure on the part of our compensation administration is due to many causes. The most important cause is lack of understanding by our state legislatures and the consequent paucity of appropriations to enable the boards and commissions to do the work they ought to do in the way of accident prevention and medical, surgical, and restorative treatment.

Accident boards and commissions are made up for the most part of men untrained in the traditions and practices of the legal profession. If hearings before these bodies are to be conducted by cheap lawyers in an atmosphere of tawdry legal profundity, the results are bound to be disastrous. The foolish, time-consuming questions asked by self-seeking lawyers of equally self-seeking physicians invariably arouse the ire of the layman, untrained and unaccustomed to the intricacies of legal quibbling and the dignity of the "law's delays." As a consequence, an extremely irritated board may be exasperated into doing grave injustice to one or both parties in a case.

The only cure for this serious condition which threatens to break down the effectiveness of compensation legislation is to socialize our workmen's compensation laws. By that I mean the absolute exclusion of casualty insurance companies from the writing of risks under the workmen's compensation laws. The making of private profits out of the misfortunes of the workers is intolerable. It was a costly and inexcusable blunder to have allowed the casualty companies to make use of the compensation laws for the purpose of exploiting the injured workmen for profit. The way to remedy this blunder is to remedy it. All stock insurance companies should be excluded at the earliest possible moment from writing workmen's compensation

insurance. All incentive for meddling in the administration of workmen's compensation laws should be taken away from insurance companies.

The next logical step after the revamping and extension of our workmen's compensation laws would be the enactment of invalidity and old age insurance legislation. If a practical way can be found, I should favor contributory insurance to cover these hazards. However, I regard the payment by the worker in whole or in part, for insurance against invalidity and old age as a mere detail. It makes little difference in the results whether the workers pay or the state pays, as is demonstrated by the operation of the British non-contributory Old Age Pension Act. Administration is greatly simplified and rendered cheaper if insurance premiums are assessed on the different industries or the community as a whole.

For some time past attention has been centered upon health insurance almost to the exclusion of all other forms of social or pseudo-social insurance. In fact, the term social insurance has been perverted in the minds of many to mean merely health insurance. As was to be expected, some of the most powerful insurance companies have professed a profound friendliness for the general principle of health insurance at the same time that they have strenuously fought any practical program for the establishment of a health insurance system.

Many curious arguments have been urged against health insurance. It is stated, on the one hand, that illness is relatively negligible in this country and, on the other hand, that it is so widespread that any insurance scheme would necessarily break down because of the enormous expense involved. On the third hand, it is stated that we know nothing about how much illness there is in this country—whether there be much or little. It is also argued that illness has none of the disastrous consequences in this country which obtain in the poorer and more populous European countries. It is asserted that the working people have incomes sufficient to enable them to hire physicians to care for themselves and their families; that a job always awaits the worker upon his recovery from illness. The experience of social workers certainly does not confirm these allegations. Illness is all too frequent in this country and is fraught with most seriousness consequences. Until after the outbreak of the great war unemployment had been the greatest curse of the workers of the country. Even today in the face of what is commonly denomi-

nated by employers as a terrific dearth of labor, men are still being scrapped at the age of 40, while in European countries men continue in active employment well beyond the age of 60. Even if it is now true that workers who do not have too many white hairs may readily find employment, that has nothing to do with the question of providing adequate medical, surgical, and hospital treatment for the worker when he is ill and the payment of money benefits in order to sustain his family in something akin to decency during the period of his illness.

It is alleged that voluntary methods are providing adequately for working people. It is asserted confidently that nothing is known about the extent and the adequacy of voluntary benefit funds of trade unions, establishments, and mutual associations. It is a sufficient answer to this allegation to call attention to the 23rd Annual Report of the United States Commissioner of Labor, in which are given the results of a very complete study of these voluntary sickness benefit funds. The conditions as shown in the 23rd Annual Report of the Commissioner of Labor Statistics have not materially changed. None of the trade union sick benefit funds provides for medical, surgical, and hospital treatment. Only a very few provide sanatoria and homes for the aged and disabled. All the voluntary agencies combined make quite inadequate provision for only a small minority of workers and they the least needy of them all.

Under the voluntary system, if it be lawful to call such chaos a system, the people who are in most need of sickness and other insurance do not get it at all and only those who are best situated economically are able to purchase insurance.

If I believed that social health insurance was merely a system for dealing out doles in relief to the families and dependents of sick workmen, I would have very little enthusiasm for it. It is because I know that health insurance will call attention to the costliness of illness that I am in favor of universal compulsory health insurance. It took compulsory workmen's accident compensation to bring home to the employers the fact that every accident costs money whether it is compensated for or not. We have already realized in part at least that accidents are terribly expensive; that the expensiveness of accidents did not begin with the enactment of compensation laws, but that some one must inevitably pay the piper. Before compulsory accident compensation laws were enacted the burden fell upon the workers almost entirely because the workers were least able to bear the burden

and were, therefore, unable to escape bearing it. What is true of disabilities from accidents is true of disabilities from illness. Health insurance legislation can neither increase nor decrease the burdens due to illness, except as such legislation increases or decreases the amount of lost time due to illness. One effect of compulsory health insurance will be to remind employers very forcibly that sickness is uneconomical, wasteful; that sickness costs real money to the employer and the public; and that much existing illness is either preventable or curable.

A favorite argument against all social insurance is that it is socialism. This strikes me as being the most telling argument for socialism that could be uttered. Instead of condemning social insurance, it highly commends socialism. I do not happen to be a socialist, but if it is socialism to provide adequate protection to the lives, health, and well-being of our working population, then let us have some more of the same.

Another stock objection to social insurance is the incompetence of public officials which leads to extravagance in administration. There is unfortunately much truth in this allegation. However, no trustworthy data as to the cost of state insurance as compared with private insurance have ever been worked out. From such data as exist, however, it appears that the premium rates under true social insurance could be increased 50 per cent. because of incompetence and extravagance in administration and yet leave a margin in favor of social insurance as compared with private, competitive, profiteering insurance. If the public are willing to trust themselves to conduct insurance economically, efficiently and honestly, they can still secure the benefits of social insurance by establishing mutual associations for the administration of the funds. A genuine mutual association has practically all the advantages of state conducted insurance mentioned above and it is free to conduct its affairs so as to secure the greatest efficiency.

HOUSING

HOUSING AND TRANSPORTATION PROBLEMS IN RELATION TO LABOR PLACEMENT¹

The broad outlines of the question dealt with by this paper may be stated briefly. The details would fill volumes, and but little has yet been assembled in useable form. Labor placement, we shall assume, includes labor retention, i.e., not only the securing of a supply of labor but what is more important, the reducing of its turnover. The latter part of the question has been under scrutiny for some time and many obvious reasons for our great labor turnover have been noted and some have been changed. As in infant mortality, even a superficial study brought to light certain conditions that a minimum of group or community action could change—as the substitution of clean and modified milk for the dirty, diluted stuff that had been sold before—and which being changed caused an immediate and notable improvement.

So easy and so efficacious, comparatively, are these first changes that some of us have been inclined to persuade ourselves that they comprise our whole task. An alley that has been buried under an accumulation of filth is vastly improved by shovel work, but it is not really clean until broom and water have played their part. So improvements within the plant, whether of physical conditions or of management, will make notable improvement in labor turnover and at a comparatively small expenditure of thought and energy, for they require but a minimum of community or group action.

But having achieved so much we find that the task is not completed. A generation ago our present condition, in our more progressive industrial enterprises at least, would have seemed almost utopian. But having done so much we find that labor turnover is not yet reduced to the place where it should be and dimly we are beginning to see that labor turnover is a

¹ By John Ihlder. *Annals of the American Academy.* 81:51-5. January, 1919.

matter of concern not only to individual employers but to those who are concerned with such community problems as deserting husbands; and that conversely the employer has reason to be concerned, because of his interest in the efficiency of his own plant, in these community problems. The deserting husband not only leaves destitute wife and children for the community to support but he loses the spirit which makes a first class workman and by degrees becomes a drifter, a vagrant, one of the army of unemployables the attempt to employ whom is one of the great wastes of industry. And the reason for desertion in the great majority of cases probably lies quite outside the factory gates and only the effect is felt inside.

Had that man lived in a better home, in a better neighborhood, had his children attended better schools, had his neighbors been more satisfied with their lot, had more to lose and so have had a different tone in their daily conversation, the deserter would probably have resisted the temptation to which he yielded, perhaps a little thing in itself, but the last of many things big and little,—impatience at the jam in an overcrowded street car to which he was subjected morning and evening, or, of more consequence, remorse that the cost of sociability at the corner saloon made impossible the paying of grocer's bills. These cannot be affected by improvement within the plant; they can be affected only by improvement of living conditions, and the latter may be summarized as improvement of the dwelling.

But here again it is necessary for us to broaden our vision from the individual to the community. Housing betterment began by attempts to improve individual houses, and it made considerable improvement. It did the shovel work—or at least began it—of somewhat lessening the squalor and filth of slum areas. Transportation began too by accepting existing conditions and seeking only to mitigate them by enabling those who had the time and the money to escape to a better environment. But having done the shovel work where it has been done, we learned that it was after all but superficial, that it must be done over and over again, for it makes no change in the basic conditions which first rendered it necessary. Instead of improved slums, instead of expensive and wasteful means of escape, we begin to realize that there will be economy in abolishing slums, in using transportation not to mitigate the effects of bad conditions but to serve the community as a community. Transportation, even the least expensive forms, is wasteful if used need-

lessly, wasteful in time, health, money. The more expensive forms, especially the most expensive form, the subway, is ruinous if used as a substitute for walking or even for trolleys.

So both housing and transportation lead us inevitably to city planning, and city planning is based upon two things: first, the needs of business and industry, which create the city; second, upon the needs of the home, which make the city worth creating. Having come then to visualize the city as an entity, not as a mere aggregation of individuals, we are able to consider the proper distribution of its parts and to plan for their needs.

Business and industry must first be considered because from them flows the wealth upon which all else depends. Those areas best suited to their needs should be devoted to them. Transportation, here including not only passenger but goods transportation, must be planned to serve them primarily. But, though they are considered first, they cannot be considered exclusively; the satisfying of their needs may have to be modified if it takes too much from satisfying the living needs of those for whose benefit business and industry exist.

The living needs of the people may come second in order of consideration, but not in importance. These living needs fundamentally are first, a wholesome environment, which means not only a sanitary dwelling—to that point we have already progressed in some of our cities—but space for outdoor life, opportunity for education and recreation, amenities that promoted sense of community well-being and second, accessibility to the places of employment which support all this. That is, our places of employment must be distributed in such a way that their business needs may be most economically met and at the same time that they may be accessible to those who operate them.

Philadelphia, by happenstance, for it was only a matter of happening, not of conscious planning, illustrates in a rough and unordered way what in the future we shall do in a systematic way. Its industries are distributed in many centers and as a consequence its workers in unusually large proportion can live within walking distance of their work. As further consequences its workers in very unusually large proportion live in single family houses, and its transportation system has lagged behind those of competitor cities in mechanical development. Had Philadelphia, instead of drifting along from a fortuitously good start, been consciously planned and developed according to ideas

only now coming into vogue, it would today be a model for other cities to imitate. The fundamentals are there, though long unrecognized; the failure has come in working out details. Now that the fundamentals are being recognized, though not always clearly, and now that the tide is running strong toward community development and control, Philadelphia has the best opportunity of any of our largest cities to develop its housing and its transportation in such a way as to attract labor and to reduce labor turnover.

In its new and rapidly growing industrial areas outside the present city it can develop a transportation system designed to meet real needs, not those due to mal-adjustment, and consequently a productive system, not a wasteful one. In these areas there is still space to develop the kind of housing that will make the worker glad to come and loath to leave. And while it is doing this it may, if the tide runs strong enough or if its leading citizens swim hard enough, gradually correct the worst faults of its present housing—land overcrowding and insanitary conditions, and modify its plans for transportation so that they will not only bring it increased business from outside, but will make passenger transit within its borders efficient and economical—high-speed trunk lines connecting important centers and fed by less expensive local lines. For passenger transportation within a city should be only for those who must travel long distances, and the number who must travel long distances daily should be reduced to a minimum by building as large a proportion as possible of houses within walking distance of places of employment.

LABOR'S ATTITUDE ON HOUSING¹

Great progress has been made in recent years in promoting safety and sanitation in manufacturing, mining, and transportation. The progress has been most rapid in safeguarding workers from industrial accidents. This progress has been the result of continual agitation and education but has proceeded most rapidly and satisfactorily since the enactment of the Workmen's Compensation Laws, which render unsafe working conditions expensive to the employer.

¹ By Matthew Woll, Vice-Pres. American Federation of Labor. From an address before the Seventh National Conference on Housing, Boston. November 25-27, 1918.

The advance of sanitation in workshops has been less rapid. The dangers from bad sanitation are not only less obvious, but there is no liability for disease or death occurring as a result of improper sanitation. Future progress in sanitation demands not only cleanliness and ventilation but consideration must likewise be given to occupational diseases.

Still less progress has been made in promoting safe, sanitary, and comfortable houses for the workers. Little progress has been made in this direction because there has been a total lack of responsibility and no liability whatever for injury or ill-health caused to the workers or their families. Until recent years there has been indeed little, if any, community interest aroused in the housing problem of the workers. Squalor and almost unlivable conditions are still found in many homes of the workers whose compensation is inadequate and where the opportunity of the worker to associate with his fellow workmen for their industrial improvement is persistently and successfully denied.

One of the outstanding and most grievous features prevailing amongst these unorganized workers is the practice of having small children look after themselves while their parents are at work. The homes of these poorer workers in the main are heated by stoves, making it very easy for the children to seriously burn themselves or start a destructive blaze. In many cases these homes consist of dark, unsanitary, pest-ridden rooms and foodless kitchens. There can be no disagreement in the conclusion that such housing and conditions of homes should not be permitted to exist.

The past provisions for the housing of workmen have been generally bad, not alone in the larger cities, but in industrial communities of every size, and in rural districts as well. The importance of good sanitary standards is becoming generally recognized. The growing demand for sanitation in the home, as well as in the shop, and adequate and fit houses for the workers to live in, is the result of years of agitation and insistence on the part of the organized workers of our country. This development is due principally because of the organized workers' demand for adequate wages and their pronouncement that the well-being of the community requires as good sanitary conditions for the wage earner and his family as for the families of those of a higher economic status.

The noticeably increasing public demand for the observance of proper sanitary standards in the building of new homes has

created a new phase to the problem and makes more difficult its solution when applied to the old houses in the poorer districts of our large cities and industrial centers. Houses in these districts never had sanitary utilities and conveniences. Because they are centrally located they are usually rented as long as they are at all habitable and not condemned by health boards. The immigrant worker is not so particular. The unorganized toiler has little choice. His economic condition determines his mode of life and standard of habitation. He can consider only proximity to his workshop without extra cost of travel to and from his work. Long hours of toil do not permit him to live any great distance from the shop.

The owners of these properties are well aware of these disadvantageous economic conditions of the workers, and logically reason, "why should we therefore remodel or refit the old buildings, and lose that income which these improvements will entail?" Because there is not the same language in use, among these foreign workers, with a multiplicity of foreign customs and practices and a lack of trade organization, many of these workers are comparatively indifferent and generally extremely weak against strong groups who have financial interests in the properties and who do not hesitate to commercialize every economic disadvantage of these workers. The problem of housing in these old districts, is, therefore, distinctively the most essential yet most difficult problem to solve.

The demand of the wage earners is not only for sanitary and fit houses to live in, but the workers are also insistent that a sufficient number of houses shall be available so that they may be freed from the evils of high rents, over-crowding, and congestion. Such conditions of housing make not only for discomfort and unhappiness but promote disease and degeneration.

The ordinary method of supplying houses throughout their erection by private capital for investment and speculation has rarely, if ever, been adequate. Nearly all of our cities are built upon a system of exploitation. Most houses built for the wage earners are built to sell. They are built shoddily and only as good as they must be in direct proportion to the building laws and municipal supervision. It has not been a question of building well, but of building profitably. Usually, and quite generally, banking and loaning institutions are in league with the owners of building projects, and later turn over their joint projects to other innocent persons to be squeezed by them in

order that a handsome income may be secured to both interests concerned. This system of exploitation does not permit of proper housing facilities and adequate upkeep. It demands only incomes and discourages expenditures, thus, in a short time the houses become bad, until a few years thereafter the Boards of Health order the premises vacated, unless political prestige or industrial influence suffices to prevent the continuation of a most abhorrent condition of housing.

The tenement house acts, as well as the health ordinances and building regulations of municipalities, while generally productive of good effect, are at best surface remedies and can never cure the evil of our present housing situation. A careful analysis of the results of the private housing situation for the past twenty-five years demonstrates conclusively the inadequacy of our procedure. In practically no instance have social ideals or economic justice been given more than a superficial consideration. In small manufacturing communities the number of all of the inhabitants owning their own homes is less than 15%. With this percentage in small manufacturing centers what may we expect in larger manufacturing cities where land and building costs are much higher.

A further study leads to the remarkable finding that a very large proportion of homes owned by these workers are encumbered with long-time obligations which tend to keep the operatives in a state of complete dependency, making it easy to repress their economic rights and force them involuntarily to become mere cogs in the adjacent factory organization. Under these conditions the wage earner is less likely to strike or leave his employment in order to retain his immediate, though meager saving and investment. He is led often to forfeit his opportunity for future improvement by forfeiting his right of association and of collective bargaining.

Excellent plans for the housing of workmen have been put into effect by a number of firms and corporations, but such measures have little, if at all, affected the general situation. On the contrary, the employers' interests are primarily in the economic advantage which a closer labor supply affords. Indeed the early and still existing practice in some localities of factory-owned dwellings was, and is yet, an immense advantage to employers in times of strikes and other labor disturbances when the power of eviction can be invoked, or at least threatened to good advantage in the employer's behalf.

Aside from the well-to-do manufacturer or corporation engaging in the present system of housing the workers, we have also the speculator in real estate to consider. While the improvement and social welfare of the wage earner have been of secondary importance to employers, the welfare of the wage earner and an improved community spirit are totally lacking in the motives which prompt the real estate speculator. He is invariably prompted by selfish interests and has scarcely ever been concerned beyond the immediate prospects of profit. As a matter of fact he has been confined mainly to the limited number of better paid workmen because he has found that the exploiting of low and under-paid wage earners is not a profitable field for him.

It may be well asked if the low and under-paid employees in factories are being housed at all, or if they are only boarding, rooming, or crowding. It is difficult to conceive how the worker with a very low income and large family can rent habitable houses, much less approximate those sanitary utilities which our present knowledge of health demands. It might, therefore, be apparent that our present practices and policies—or lack of policies—for improved housing of the workers, have been unjust and due principally to disastrous economic conditions of the workers.

The solution of the problem first of all demands that every wage earner shall be afforded the opportunity of employment and an income and sustenance to enable him, without the labor of mother and children, to maintain himself and family in health and comfort and to provide a competence for old age with ample provision for recreation and good citizenship.

To attain this condition the worker must be guaranteed and encouraged in the exercise of his right to organize and associate with his fellow workmen in trade unions and to deal collectively with employers through such representatives of their unions as they may choose, for their improved economic and industrial conditions and relations.

Realizing that ownership of a home, free from the grasp of exploiting and speculative interest, will make for a more efficient worker, a more contented and happy family, and a better citizen, the Government should interest itself in the following program:

- a. Prepare and inaugurate a plan to build model homes for the wage earners.

- b. Establish a system of credits whereby the workers may borrow money for a long term of years at a low rate of interest to build their own homes.
- c. Encourage, protect, and extend credit to voluntary, non-profit making housing and joint-tenancy associations.
- d. Exempt from taxation and grant other subsidies for houses constructed for occupancy of their owners.
- e. Relieve municipalities from the restrictions preventing them from undertaking proper housing plans and engaging in other necessary enterprises relating to the workers' welfare and fitting habitation.
- f. Encourage and support the erection and maintenance of houses where the workers may find lodging and nourishing food during the periods of unemployment.

We should no longer hesitate in forcing unused lands into use by exempting all improvements from taxation and by placing a tax on non-productive the same as on productive land.

Legislation should therefore be devised for the purpose of preventing the holding of land out of use and to secure for the Government, if not all, at least a part of the unearned increment of land.

In dealing with this question individually, the existing conditions present problems which seem almost hopeless of solution, but we are fast getting beyond the individual point of view to the development of collective planning and rebuilding. In that development alone lies our main hope.

There is developing very rapidly a public demand that every worker shall be provided with a decent, fitting, sanitary, and comfortable home. The wage earners of America are deserving of this new conception of life and living and are entitled to no less.

This, then, is the inspiration, the motive, and one of the ultimate objects of the American Federation of Labor.

METHODS OF PROMOTING INDUSTRIAL PEACE

THE PRESIDENT'S INDUSTRIAL CONFERENCE¹

Labor Proposals

SECRETARY WILSON'S PLAN

Resolution offered by the secretary of labor, William W. Wilson, October 9, based to a degree upon the working scheme of the War Labor Policies Board.

Resolved, that there shall be created a board of equal number of employers and employees in each of the principal industries and a board to deal with miscellaneous industries not having a separate board. The representatives of labor on such boards shall be selected in such manner as the workmen in the industry may determine. The representatives of the employers shall be selected in such manner as the employers in the industry may determine.

Whenever any dispute arises in any plant or series of plants that cannot be adjusted locally the question or questions in dispute shall be referred to the board created for that industry for adjustment. The board shall also take jurisdiction whenever in the judgment of one-half of its members a strike or lockout is imminent. Decisions of the board on questions of wages, hours of labor, or working conditions must be arrived at by unanimous vote. If the board shall fail to come to a unanimous determination of any such question, the question in dispute shall be referred to a general board appointed by the President of the United States in the following manner:

One-third of the number to be appointed in agreement with the organization or organizations of employers most representa-

¹ The President of the United States, in October 1919 called a conference of interests representing labor, capital and the public to arrive at some method of eliminating industrial unrest. The conference broke up on the question of collective bargaining. The proposals offered are important as indicating the points of view they represent.—Ed.

tive of employers; one-third of the number to be appointed in agreement with the organization or organizations of labor most representative of labor, one-third of the number to be appointed by the President direct.

Any question in dispute submitted to the general board for adjudication shall be decided by the unanimous vote of the board. If the general board fails to arrive at a decision by unanimous vote, the question or questions at issue shall be submitted to an umpire for determination. The umpire shall be selected by one of the two following processes: First, by unanimous selection of the general board. Failing of such selection, then the umpire shall be drawn by lot from a standing list of twenty persons named by the President of the United States as competent umpires in labor disputes.

In all disputes that may be pending locally, or before the industrial board, or before the general board, or before the umpire, the employers and employes shall each have the right to select counsel of their own choice to represent them in presenting the matter in controversy.

Whenever an agreement is reached locally, or by the unanimous vote of the industrial board, or by the decision of the umpire, the conclusion arrived at shall have all the force and effect of a trade agreement which employers and employes shall be morally bound to accept and abide by.

It is understood that this plan would not interfere with any system of joint wage conference now in existence, unless or until the failure to agree in such a conference made a strike or lockout imminent.

THE A. F. OF L. PLATFORM

Resolution offered by Samuel Gompers, president of the A. F. of L., with the assent of the labor group of which he is chairman.

Resolved, this conference of representatives of the public, of the employers and business men and of labor, called by the President of the United States, hereby declares in favor of the following:

1. The right of wage-earners to organize in trade and labor unions for the protection and promotion of their rights, interests and welfare.

2. The right of wage-earners to bargain collectively through trade and labor unions with employers regarding wages, hours of labor, and relations and conditions of employment.

3. The right of wage-earners to be represented by representatives of their own choosing in negotiations and adjustments with employer in respect to wages, hours of labor, and relations and conditions of employment.

4. The right of freedom of speech of the press and of assemblage, all being responsible for their utterances and actions.

5. The right of employers to organize into associations or groups to bargain collectively through their chosen representatives in respect to wages, hours of labor, and relations and conditions of employment.

6. The hours of labor should not exceed eight hours per day. One day of rest in each week should be observed, preferably Sunday. Half-holiday on Saturday should be encouraged.

Overtime beyond the established hours of labor should be discouraged, but when absolutely necessary should be paid for at a rate not less than time and one half time.

7. The right of all wage-earners, skilled and unskilled, to a living wage is hereby declared, which minimum wage shall insure the workers and their families to live in health and comfort in accord with the concepts and standards of American life.

8. Women should receive the same pay as men for equal work performed.

Women workers should not be permitted to perform tasks disproportionate to their physical strength or which tend to impair their potential motherhood and prevent the continuation of a nation of strong, healthy, sturdy and intelligent men and women.

9. The services of children less than sixteen years of age for private gain should be prohibited.

10. To secure a greater share of consideration and cooperation to the workers in all matters affecting the industry in which they are engaged, to secure and assure continuously improved industrial relations between employers and workers and to safeguard the rights and principles hereinbefore declared, as well as to advance conditions generally, a method should be provided for the systematic review of industrial relations and conditions by those directly concerned in each industry.

THE DENNISON RESOLUTIONS

Resolutions offered by Henry S. Dennison, president of the Dennison Manufacturing Co., Framingham, Mass., with the assent of the public group of which he is a member.

Collective Bargaining

Whereas a serious inequality of bargaining power between employers and employes always imperils industrial peace,

And whereas equality of bargaining power requires both the right of collective bargaining upon the part of the employes and the right of the employers to deal directly with their employes,

Now, therefore, be it resolved that it is the opinion of this conference that (1) Employers should at all times recognize the right of their employes independently to organize for the purpose of collective bargaining and should always be ready to meet any groups of their employes either directly or through its representatives, and

(2) Labor should recognize the right of the employers to deal with their employes directly, through freely elected shop committees or otherwise, as well as through trade unions.

Shop Committees

Resolved, whereas maximum production is only possible if the full interest of the workman is enlisted in his work, and

Whereas a sound social policy demands that work shall be done under conditions which promote the self-respect of the workman and afford him a sense of worthwhile accomplishment in his work.

Now therefore be it resolved, that it is the opinion of the conference that the employers and employes in every factory should unite in bringing about the development of committees freely elected by the employes (whether as a part of the trade union system or otherwise, but not in antagonism to trade unionism) for the joint consideration by these committees and the employers of such constructive matters as methods of enlisting workers' interest, and of improving efficiency of production, which are of mutual value to employers and employes.

THE EMPLOYER'S PLATFORM

Statement of principles which should govern the employment relation in industry, as submitted by the employer group to the industrial conference.

Sound industrial development must have as its foundation productive efficiency, and high productive efficiency requires not only energy, loyalty and intelligence on the part of management and men but sincere cooperation in the employment relation based upon mutual confidence and sympathy.

This is true of all producing industries, large and small, of the farming industry as well as the manufacturing. While there are differences between the different branches of industry which call for special application of the underlying principles, these principles are the same in all.

Without efficiency in production, that is to say, without a large product economically produced, there will be no fund for the payment of adequate compensation for labor, management and capital, and high cost of living will inevitably continue. Moreover, without such efficiency it will be impossible for American industry successfully to compete in foreign markets or with foreign competition in this country. The larger and more effective the production, the greater will be the return to all engaged in the industry, and the lower the cost of living.

The requisite efficiency in production can not be secured unless there is effective cooperation between employer and employee such as is only possible where, with a full understanding of each other's point of view, management and men meet upon a common ground of principle and in a spirit of cooperation based upon good understanding and a recognition of what is fair and right between the two. Then only can there be that harmony which will insure the prosperity of those engaged in industry and of all the people.

With full recognition of the vital importance of these conditions and with due realization of the great responsibility resting upon management to secure their practical application in industrial affairs, we submit the following which we regard as fundamentally sound in the interest of industry, of those employed or concerned in industry, and of the people as a whole.

1. *Production.* The industrial organization as a productive agency is an association of management, capital and labor, voluntarily established for economic production through coopera-

tive effort. It is the function of management to coordinate and direct capital and labor for the joint benefit of all parties concerned and in the interest of the consumer and of the community. No employment relation can be satisfactory or fulfill its functions for the common good, which does not encourage and require management and men to recognize a joint as well as an individual obligation to improve and increase the quantity and quality of production to as great an extent as possible, consistent with the health and well-being of the workers.

There should be no intentional restriction of productive effort or output by either the employer or the employe to create an artificial scarcity of the product or of labor in order to increase prices or wages; nor should there be any waste of the productive capacity of industry through the employment of unnecessary labor or inefficient management.

It is the duty of management on the farms and in industry and commerce, as far as possible, to procure the capital necessary for the increased production that is required, and of both management and labor to cooperate to promote the use of capital in the most efficient fashion.

2. *The Establishment as a Productive Unit.* Recognizing the cooperative relationship between management and men essential to productive efficiency as a pre-requisite for national and individual well-being, the establishment rather than the industry as a whole or any branch of it should, as far as practicable, be considered as the unit of production and of mutual interest on the part of the employer and the employe. Here by experimentation and adaptation should be worked out and set up satisfactory means for cooperative relations in the operation of the establishment, with due regard to local factors.

Each establishment should develop contact and full opportunity for interchange of view between men and management through individual or collective dealing or a combination of both, or by some other effective method, always predicated on both sides on honesty of purpose, fairness of attitude and due recognition of the joint interest and obligation in the common enterprise in which they are engaged. Machinery is not enough for this purpose. There must also be sympathy and good will, with earnest intent that whatever the means employed they must be effective.

3. *Conditions of Work.* It is the duty of management to

make certain that the conditions under which work is carried on are as safe and as satisfactory to the workers as the nature of the business reasonably permits. Every effort should be made to maintain steady employment of the workers both on their account and to increase efficiency. Each establishment should study carefully the causes of unemployment, and individually and in cooperation with other establishments in the same and other industries should endeavor to determine and to maintain conditions and business methods which will result in the greatest possible stability in the employment relation.

4. *Wages.* While the law of supply and demand must inevitably play a large part in determining the wages in any industry or in any establishment at any particular time, other conditions must be taken into account, such as the efficiency of the worker and the wage standard of the industry in the locality. The wage should be so adjusted as to promote the maximum incentive consistent with health and well-being and the full exercise of individual skill and effort. Moreover, the business in each establishment and generally in industry should be so conducted that the worker should receive a wage sufficient to maintain him and his family at a standard of living that should be satisfactory to a right-minded man in view of the prevailing cost of living, which should fairly recognize the quantity and quality of his productive effort and the value and length of his service, and reflect a participation on his part in the prosperity of the enterprise to which he is devoting his energy.

Many plans are now under consideration for adding to the fixed wage of the worker such, for example, as bonus payments, profit-sharing and stock ownership. All such plans should be carefully studied in each establishment. It may well be that in many instances the employer and the employe could work out an arrangement of such a character to their mutual advantage.

In order that the worker may in his own and general interest develop his full earning capacity and command his maximum wage it should be a primary concern of management to assist him to secure employment suited to his abilities, to furnish him incentive and opportunity for improvement, to provide proper safeguards for his health and safety, and to aid him to increase the value of his productive effort.

Where women are doing work equal with that of men under

the same conditions, they should receive the same rates of pay as men and should be accorded the same opportunities for training and advancement.

5. *Hours of Work.* Hours of work schedules should be fixed at the point consistent with the health of the worker and his right to an adequate period of leisure for rest, recreation, home life and self-development. To the extent that the work schedule is shortened beyond this point the worker as well as the community must inevitably pay in the form of a reduced standard of living.

The standard of the work schedule should be the week, varying as the peculiar requirements of individual industries may demand. Overtime work should, as far as possible, be avoided, and one day of rest in seven should be provided.

6. *Settlement of Disputes.* Each establishment should provide adequate means for the discussion of all questions and the just and prompt settlement of all disputes that arise between management and men in the course of industrial operation, but there should be no improper limitation or impairment of the exercise by management of its essential function of judgment and direction.

7. *Right to Associate.* All men have the right to associate voluntarily for the accomplishment of lawful purposes by lawful means. The association of men, whether of employers, employees or others, for collective action or dealing confers no authority and involves no right of compulsion over those who do not desire to act or deal with them as an association. The arbitrary use of such collective power to coerce or control others without their consent is an infringement of personal liberty and a menace to the institutions of a free people.

8. *Responsibility of Associations.* The public safety requires that there shall be no exercise of power without corresponding responsibility. Every association, whether of employers or employees, must be equally subject to public authority and legally answerable for its own conduct or that of its agents.

9. *Freedom of Contract.* With the right to associate recognized, the fundamental principle of individual freedom demands that every person must be free to engage in any lawful occupation or enter into any lawful contract as an employer or an employee, and be secure in the continuity and rewards of his effort. The only qualification to which such liberty of contract is subject lies in the power of the state, within limits imposed by the

Constitution, to regulate in the public interest, for example, for the promotion of health, safety and morals.

10. *The Open Shop.* The principles of individual liberty and freedom of contract upon which our institutions are fundamentally based require that there should be no interference with the "open shop," that is, the shop in which membership or non-membership in any association is not made a condition of employment. While fair argument and persuasion are permissible, coercive methods aimed at turning the "open shop" into a "closed union" or "closed non-union shop," should not be tolerated.

There should be no denial of the right of an employer and his workers voluntarily to agree that their relation shall be that of the "closed union shop" or of the "closed non-union shop." But the right of the employer and his men to continue their relations on the principle of "open shop" should not be denied or questioned. No employer should be required to deal with men or groups of men who are not his employees or chosen by and from among them.

Under the organization of the "open shop" there is not the same opportunity for outside interference on the part of other interests to prevent close and harmonious relations between employer and employee. Their efforts to continue or secure such harmonious relationship are not complicated to the same extent by intervention of an outside interest which may have aspirations and plans of its own to promote, which are not necessarily consistent with good relations in the shop.

11. *The Right to Strike or Lockout.* In the statement of the principle that should govern as to the right to strike or lockout, a sharp distinction should be drawn between the employment relations in the field (a) of the private industry; (b) of the public utility service; and (c) of government employment, federal, state or municipal. In all three there are common rights and obligations but, insofar as the right to strike or lockout is concerned, the nature of the government service and public utility operations requires that they should be considered from a somewhat different point of view than private industry.

In private industry the strike or the lockout is to be deplored; but the right to strike or lockout should not be denied as an ultimate resort after all possible means of adjustment have been exhausted. Both employers and employees should recognize the seriousness of such action and should be held to

a high responsibility for the same. The statement that the right to strike or lockout should not be denied does not cover the matter of the sympathetic strike or lockout, where for mere purposes of coercion there is a combination deliberately inflicting injury upon parties against whom the assailants have no grievance for the purpose of accomplishing an ulterior result. The sympathetic strike is indefensible, anti-social and immoral. The same may be said of the blacklist, the boycott, and also of the sympathetic lockout.

In public utility service the public interest and welfare must be the paramount and controlling consideration. Modern social life demands the uninterrupted and unimpaired operation of such service, upon which individuals and communities are as dependent as is human life on the uninterrupted circulation of the blood. The state should, therefore, impose such regulations as will assure continuous operation, at the same time providing adequate means for the prompt hearing and adjustment of complaints and disputes.

In government employment the orderly and continuous administration of governmental activities is imperative. A strike of government employes is an attempt to prevent the operation of government until the demands of such employes are granted, and cannot be tolerated. No public servant can obey two masters; he cannot divide his allegiance between the government which he serves and a private organization which, under any circumstances, might obligate him to suspend his duties, or agrees to assist him morally or financially if he does. Social self-defense demands that no combination to prevent the operation of government be permitted. The right of government employes to be heard and to secure just redress should be amply safeguarded.

12. *Training.* Practical plans should be inaugurated in industry and outside of it for the training and upgrading of industrial workers, their proper placement in industry, the adoption and adaptation of apprenticeship systems; the extension of vocational education and such other adjustments of our educational system to the needs of industry as will prepare the worker for more effective and profitable service to society and to himself.

The foregoing is limited to a statement of principles. Only casual reference has been made to methods by which such principles may be carried into effect. The problems are so serious

and difficult that such methods must be worked out by the individual establishments in conjunction with their employes and by industry as a whole.

TRADE-UNION SOLUTION OF THE CLASH OF RIGHTS¹

The capital group in the industrial conference has put forth, in a verbal knot and tangle, an illogical and self-contradictory half statement of the abstract, legal and conditional rights of employers and wage-earners to be recognized in making labor contracts. In reply, it is necessary to bring clearly to mind certain distinctions as to human rights and to recognize which of them are subject to modifications and in what circumstances.

The abstract rights of individuals are not absolute and invariable. In the abstract, the state guarantees to its citizens the rights of life, liberty and property. But in the concrete, the state itself subjects these rights to various qualifications, reaching in extreme instances to entire negation. It abolishes the natural right to life in the case of murderers, traitors and violent resisters of the law. It continually deprives tens of thousands of criminals of their liberty. It quarantines persons in health to prevent by their freedom of movement the possible spread of contagion. It prohibits women and children from exercising the liberty of working when, where and as they please. It denies to youth the right to roam the streets in school hours. In time of war, it takes away from fathers the right, essential in peace, to remain at home and care for their families. At all times, by taxation, it enforces a community right over the right to private property. In all such examples, the original abstract rights of the individual yield to the supreme right of the state to self-preservation.

In like manner, in contractual relationships, for the protection of society, the state gives to associations of men rights which set aside concepts of the liberties of individuals. It gives to associations of medical men the right to refuse memberships to any persons deemed by them to be unqualified for the practice of medicine. It goes further. It punishes by law men or women seeking to practice methods of cure not authorized by

¹ By J. W. Sullivan. *International Molders' Journal*. 55:888-90. November 1919.

the medical faculty. In the profession of the law, the state enables associated practitioners to exclude laymen from the bar.

In like manner the unrestricted right of the wage-worker to work at any trade, in any circumstances, with any and all classifications of other wage-workers, is customarily denied by law. Statutes are enforceable for the protection of a body of workers against individuals who may put in jeopardy the safety of their fellows with respect to life, limb or health, between employers and employed under which the latter pass upon the occupational fitness of either apprentices or journeymen seeking to work among them.

Amid the confused list of rights recognized by the capital group, the fundamental concrete and practical declaration is incontestibly the right of wage earners to organize in trade and labor unions and hence to bargain collectively and to be represented in negotiations by representatives of their own choosing. Once this foundation right is in good faith accepted by employers, they take upon themselves the obligation of modifying all alleged contract rights of wage workers in general which are inconsistent with it as a basic and encompassing principle. In accepting this right they concede to an association of wage workers the right of its self-preservation, and this includes the right when necessary to that end to refuse to work with persons whose acts would tend to destroy the association. When non-associated individuals, asserting their right to "refrain from joining any association" and "to deal directly" with employers as they choose, decide to accept wages lower than an association scale, to work longer hours than the established workday and to put up with working conditions of a worse standard than those obtained by the association, they initiate a competition in the work shop which tends to disintegrate the association.

Thereupon, in the absence of organization, competing workers lower the level of living for the mass to the grade of the most necessitous, and hence finally injure society in general through the helplessness of all to stand up for even the right to live at civilized standards. Prior to the world war, during which the cessation of immigration caused a relative scarcity of labor in this country, the colossal monopolistic industrial corporations systematically reduced their common labor approximately to that level. They unremittingly drew upon the vast reservoirs of Europe's underpaid and casually employed workers to supply the

enormous turn-over of labor at their plants consequent on the 12-hour day, a studied scheme of part employment, a wage below American planes, and living conditions intolerable to human beings. In other branches of American industry in which occasional competition for labor among employers had not been superseded by combination, and in which trade unionism had not established collective bargaining, labor competition led to similar injurious social consequences. At the same time, employers in general, aside from those forming an economic, oligarchical menace to our republic, were learning to depend upon the trade unions, through uniformity in contractual terms, for the maintenance of standard occupational training and the general conditions of industrial stability.

It is submitted that these considerations establish the fact that the assumed right of any and all wage-workers so to act as to bring ruin to the labor associations, which at the present stage in the development of society are the sole bulwark against the economic degradation of the masses, can not be recognized as under all conditions valid. The abstract right of the non-unionist "to deal directly with an employer as he chooses" does not give him the concrete right which compels unionists to work with him. His alleged right to make any contract whatever with an employer is, in the absence of a trade union, a mere fiction hiding the truth that the employer may play one "free" unemployed laborer against another in order to reduce the wages of both. The non-unionist has commonly no representative to negotiate any wage or work-place rights for him, no voice in establishing industrial reforms in the community or nation, no part in discussing before legislative bodies problems in which the wage-workers are the most closely interested. The non-unionist common laborer is a social nonentity except as an economic serf, serving by chance a benovolent or a malevolent economic feudal lord when he is at work and having only the opportunity to outbid his fellow wage-earner for a job when he is out of work.

When unionists concede to the non-unionist the legal right to refrain from joining any organization or to deal directly with his employer, they do not thereby clothe him with the right to come among them in the workshop and help the employer to create a situation rendering possible the abolition of trade-unionism.

PROPOSALS OF PRESIDENT'S SECOND
INDUSTRIAL CONFERENCE*Summary of Proposals*

The Industrial Conference, convened by the President in Washington on December 1, issues this statement in the desire that certain tentative proposals be given considerate study by interested individuals and organizations throughout the country. It will reassemble on January 12 and will then carefully consider any constructive criticisms that may be submitted to it.

Pending the growth of better relationships between employers and employees, the practical approach to the problem is to devise a method of preventing or retarding conflicts by providing machinery for the adjustment of differences. The Conference believes that it is possible to set up a more effective series of tribunals for the adjustment of disputes than at present exists. To be successful, such tribunals must be so organized as to operate promptly as well as impartially. There must be full participation by employers and employees. There must be representation of the public to safeguard the public interest. The machinery should not be used to promote unfairly the interests of organizations, either of labor or of capital. The plain fact is that the public has long been uneasy about the power of great employers; it is becoming uneasy about the power of great labor organizations. The community must be assured against domination by either. On the other hand, there must be equal assurance that such machinery will not be used to discriminate against organizations of employees or of employers. Both should be protected. The right of association on either side should not be affected or denied as a result of the erection of such tribunals.

The plan which follows does not propose to do away with the ultimate right to strike, to discharge, or to maintain the closed or the open shop. It is designed to bring about a frank meeting of the interested parties and cool and calm consideration of the questions involved, in association with other persons familiar with the industry.

The plan is national in scope and operation, yet it is decentralized. It is different from anything in operation elsewhere. It is based upon American experience and is designed to meet American conditions. To facilitate discussion, the plan submitted, while entirely tentative, is expressed in positive form and made definite as to most details.

Plan for Board of Inquiry and Adjustment

NATIONAL TRIBUNAL AND REGIONAL BOARDS

There shall be established a National Industrial Tribunal, and Regional Boards of Inquiry and Adjustment.

NATIONAL INDUSTRIAL TRIBUNAL

The National Industrial Tribunal shall have its headquarters in Washington, and shall be composed of nine members chosen by the President and confirmed by the Senate. Three shall represent the employers of the country and shall be appointed upon nomination of the Secretary of Commerce. Three shall represent employees and shall be appointed upon nomination of the Secretary of Labor. Three shall be representatives of the public interest. Not more than five of the members shall be of the same political party.

The tribunal shall be, in general, a board of appeal. Its determinations on disputes coming to it upon an appeal shall be by unanimous vote. In case it is unable to reach a determination, it shall make and publish majority and minority reports which shall be matters of public record.

INDUSTRIAL REGIONS

The United States shall be divided into a specified number of industrial regions. The Conference suggests 12 regions with boundaries similar to those established under the Federal Reserve system, with such modifications as the industrial situation may make desirable.

REGIONAL CHAIRMEN AND VICE-CHAIRMEN

In each region the President shall appoint a regional chairman. He shall be a representative of the public interest, shall be appointed for a term of three years and be eligible for re-appointment.

Whenever in any industrial region, because of the multiplicity of disputes, prompt action by the Regional Board is impossible, or where the situation makes it desirable, the National Industrial Tribunal may in its discretion choose one or more vice-chairmen and provide for the establishment under their chairmanship of additional regional boards.

PANELS OF EMPLOYERS AND EMPLOYEES FOR REGIONAL BOARDS

Panels of employers and employees for each region shall be prepared by the Secretary of Commerce and the Secretary of Labor, respectively, after conference with the employers and employees, respectively, of the regions. The panels shall be approved by the President.

At least 20 days before their submission to the President provisional lists for the panels in each region shall be published in such region.

The panels of employers shall be classified by industries; the panels of employees shall be classified by industries and subclassified by crafts. The names of employers and employees selected shall be at first entered on their respective panels in an order determined by lot.

The selection from the panels for service upon the Regional Boards shall be made in rotation by the regional chairman; after service the name of the one so chosen shall be transferred to the foot of the panel.

REGIONAL BOARDS OF ADJUSTMENT

Whenever a dispute arises in a plant or group of plants which is not settled by agreement of the parties or by existing machinery, the chairman may on his motion, unless disapproved by the National Industrial Tribunal, and shall at the request of the Secretary of Commerce or the Secretary of Labor or the National Industrial Tribunal, request each side concerned in such dispute to submit it for adjustment to a Regional Board of Adjustment. To this end each side shall, if willing to make such submission, select within not less than two nor more than seven days, at the discretion of the chairman, a representative. Such selection shall be made in accordance with the rules and regulations to be laid down by the National Industrial Tribunal for the purpose of insuring free and prompt choice of the representatives.

The appointment of representatives of both sides shall constitute an agreement to submit the issue for adjustment and further shall constitute an agreement by both sides that they will continue, or reestablish and continue, the status that existed at the time the dispute arose.

REGIONAL BOARDS OF INQUIRY

If either side to the dispute fails, within the period fixed by the chairman, to select its representative, the chairman shall proceed to organize a Regional Board of Inquiry. Such Regional Board of Inquiry shall consist of the regional chairman, two employers selected in the manner specified from the employers' panel, and two employees selected in like manner from the employees' panel and of the representative of either side that may have selected a representative and agreed to submit the dispute to the board. If neither side shall select a representative within the time fixed by the chairman, the Board of Inquiry shall consist of the chairman and the four panel members only.

The Board of Inquiry as so constituted shall proceed to investigate the dispute and make and publish a report, or majority and minority reports, of the conclusions reached, within 5 days after the close of its hearings, and within not more than 30 days from the date of issue of the original request by the chairman to the two sides to the dispute, unless extended on unanimous request of the board or the National Industrial Tribunal. It shall transmit copies of this report or reports to the Secretaries of Commerce and of Labor, respectively, and to the National Industrial Tribunal, where they shall be matters of public record.

UMPIRE

When a Regional Board of Adjustment is unable to reach a unanimous determination it may by unanimous vote select an umpire and refer the dispute to him with the provision that his determination shall be final and shall have the same force and effect as a unanimous determination of such Regional Board.

EFFECT OF DECISION

Whenever an agreement is reached by the parties to a dispute or a determination is announced by a Regional Board of Adjustment, or by an Umpire, or by the National Industrial Tribunal, the agreement or determination shall have the full force and effect of a trade agreement which the parties to the dispute are bound to carry out.

GENERAL PROVISIONS

In connection with their task of inquiry and adjustment, the Regional Boards and the National Tribunal shall have the right

to subpoena witnesses, to examine them under oath, to require the production of books and papers pertinent to the inquiry, and their assistance in all proper ways to enable the boards to ascertain the facts in reference to the causes of the dispute and the basis of a fair adjustment. Provision shall be made by law for the protection of witnesses and to prevent the misuse of any information so obtained.

In the presentation of evidence to the tribunal and the boards each side shall have the right to present its position through representatives of its own choosing.

SPECIAL PROVISIONS

The terms of office of members of the National Industrial Board shall be six years; at the outset three members, including one from each group, shall be appointed for a term of two years, three members for a term of four years, and three members for a term of six years; thereafter three members, one from each group, shall retire at the end of each period of two years.

RELATION OF BOARDS TO EXISTING MACHINERY FOR CONCILIATION AND ADJUSTMENT

The establishment of the National Industrial Tribunal and the Regional Boards described shall not affect existing machinery of conciliation, adjustment, and arbitration established under the Federal Government, under the governments of the several States and Territories or subdivisions thereof, or under mutual agreements of employers and employees.

Statement as to Public Utility Industries

The Conference believes that a plan of tribunals or Boards of Adjustment and Inquiry should be applied to public utilities, but in the adaptation of the plan two problems present themselves. First, governmental regulation of public utilities is now usually confined to rates and services. The Conference considers that there must be some merging of responsibility for regulation of rates and services and the settlement of wages and conditions of labor. Such co-ordination would give greater security to the public, to employee, and to employer. Second, is the problem whether some method can be arrived at that will avert all danger of interruption to service. These matters require further consideration before concrete proposals are put forward.

Statement as to Government Employees

The right of Government employees to associate for mutual protection, the advancement of their interests, or the presentation of grievances cannot be denied, but no such employees who are connected with the administration of justice or the maintenance of public safety or public order should be permitted to join or retain membership in any organization which authorizes the use of the strike or which is affiliated with any organization which authorizes the strike.

Further Work of the Conference

On reconvening the Conference will continue its consideration of tribunals for the furtherance of industrial peace in general industry in the light of whatever criticisms and suggestions the publication of its tentative plan may call forth. It will receive reports of investigations that are being made for it. On the basis of such reports and of further study of these and the other subjects within its field, the Conference hopes that it may be able to contribute something more toward the better industrial relations described in the words addressed to it by the President when he called it into being—relations in which “the workman will feel himself induced to put forth greater effort.”

THE PRESIDENT'S INDUSTRIAL CONFERENCE

(Signed)

W. B. WILSON
Chairman

HERBERT HOOVER
Vice Chairman

OSCAR S. STRAUS
HENRY C. STUART
F. W. TAUSSIG
WILLIAM O. THOMPSON
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STANLEY KING
SAMUEL W. MCCALL
HENRY M. ROBINSON
JULIUS ROSENWALD
Members

Attested:

HENRY R. SEAGER,
Executive Secretary.

December 19, 1919.

A NEW INDUSTRIAL CREED¹

The basic facts as to the fundamental relations between the parties in industry are as right, as just and as vital for the common success of the industry of today as in the earlier times. The question which confronts the student of industrial problems is how to re-establish personal relations and co-operation in spite of the changed conditions. The answer is not doubtful or questionable, but absolutely clear and unmistakable: Through adequate representation of the four parties thereto in the councils of industry.

Various methods of representation have been adopted, of which perhaps the most conspicuous is the labor union. As regards the organization of labor, it is just as proper and advantageous for labor to associate itself into organized groups for the advancement of its legitimate interests as for capital to combine for the same objects. Such associations of labor manifest themselves in collective bargaining, in an effort to secure better working and living conditions, in providing machinery whereby grievances may easily and without prejudice to the individual be taken up with the management.

But organization has its danger. Organized capital sometimes conducts itself in an unworthy manner, contrary to law and in disregard of the interest both of labor and the public. Such organizations cannot be too strongly condemned or too vigorously dealt with. Although they are the exception, such publicity is generally given to their unsocial acts that all organizations of capital, however rightly managed or broadly beneficent, are thereby brought under suspicion.

Likewise it sometimes happens that organizations of labor are conducted without just regard for the rights of the employer or the public and methods and practices adopted which, because unworthy or unlawful, are deserving of public censure. Such organizations of labor bring discredit and suspicion upon other organizations which are legitimate and useful, just as is the case with improper organizations of capital, and they should be similarly dealt with.

Fundamentally Sound

We should not, however, allow the occasional failure in the working of the principle of the organization of labor to prejudice us against the principle itself, for the principle is funda-

¹ By John D. Rockefeller, Jr. From an article in Current Affairs (Boston). December 16, 1918. p. 7. 42-3, 46.

mentally sound. In the further development of the organization of labor and of large business, the public interest as well as the interest of labor and capital alike will be best advanced by whatever stimulates every man to do the best work of which he is capable; but a fuller recognition of the common interest of employers and employed, and by an earnest effort to dispel distrust and hatred and to promote good will.

While labor unions have secured for labor in general many advantages in hours, wages and standards of working conditions, a large proportion of the workers of the country are outside of these organizations and are to that extent not in a position to bargain collectively.

War Labor Board

Since the United States went into the war the representation of both labor and capital in common councils has been brought about through the War Labor Board, composed equally of men from the ranks of labor and the ranks of capital. Whenever questions of dispute have arisen in various industries in which there was no internal machinery which could deal with them to the mutual satisfaction of the parties in interest, the War Labor Board has stepped in and made its findings and recommendations, which have been accepted and adopted by both labor and capital in practically every instance. In this way more continuous operation has been made possible and the resort to the strike and lockout has been less frequent.

In England there have been made during the past year three important government investigations and reports looking toward a more complete program of representation and co-operation on the part of labor and capital. The first is commonly known as the Whitley Report, made by the Reconstruction Committee, now the Ministry of Reconstruction, through a Sub-Committee on Relations Between Employers and Employed, of which the Right Hon. J. H. Whitley, M. P., was chairman.

Whitley Plan

The Whitley plan seeks to unite the organizations of labor and capital by a bond of common interest in a common venture; it changes at a single stroke the attitude of these powerful aggregations of class interest from one of militancy to one of social service; it establishes a new relation in industry. Problems old and new, says the report, will find their solution in a frank partnership of knowledge, experience and good will.

Another investigation and report was made by a Commission on Industrial Unrest appointed by the Prime Minister, which made the following interesting recommendations:

1. That the principle of the Whitley report as regards industrial councils be adopted.
2. That each trade should have a constitution.
3. That labor should take part in the affairs of industry as partners rather than as employes in the narrow sense of the term.
4. That closer contact should be set up between the employers and employed.

The third report, prepared by the Ministry of Labor, on the question of the constitution and working of the works committee in a number of industries, is a valuable treatise on the objects, functions and methods of procedure which have been tried in actual practice.

These reports, together with a report on reconstruction, made by a sub-committee of the British Labor party, outlining its reconstruction program, a most comprehensive and thoughtful document, indicates the extent and variety of the study which has been given to the great problem of industrial reconstruction in England. All point toward the need of more adequate representation of labor in the conduct of industry and the importance of closer relations between labor and capital.

A simpler plan than those to which reference has been made, less comprehensive and complete, building from the bottom up, has been in operation for varying periods of time in a number of industries in this country, notably the Standard Oil Company of New Jersey, the Colorado Fuel and Iron Company, the Consolidation Coal Company, several of the works of the General Electric Company, and others, and is worthy of serious consideration in this connection.

Beginning with the election of representatives in a single plant, it is capable of indefinite development to meet the complex needs of any industry and a wide extension to include all industries. Equally applicable in industries where union or non-union labor, or both, are employed, it seeks to provide full and fair representation of labor, capital and management, taking cognizance also of the community, to which representation could easily be accorded, and has thus far developed a spirit of co-operation and good will which commends it to both employer

and employee. The outstanding features of the plan are briefly as follows:

Chosen Representatives

Representatives chosen by the employes in proportion to their number from their fellow workers in each plant form a basis of the plan. Joint committees, composed of an equal number of employes or their representatives and an equal number of officers of the company, are found in each plant or district.

These committees deal with questions of co-operation and conciliation, safety and accident, sanitation, health and housing, recreation and education. Joint conferences of representatives and officers of the company are held in the various districts several times each year, and there is also an annual joint conference, at which reports from all districts are received and considered.

Another important feature of the plan is an officer known as the President's Industrial Representative, whose duty it is to visit currently all the plants and confer with the representatives, as well as to be available always for conference at the request of the representatives.

Thus it will be seen that the employes, through their representatives chosen from among themselves, are in constant touch and conference with the owners through their representatives and the officers in regard to matters pertaining to their common interest.

The employes' right of appeal is the third outstanding feature of the plan. Any employe with a grievance, real or imaginary, may go with it at once to his representatives, who frequently find there is no real ground for grievance and are able to so convince the employe. But if a real grievance exists or dissatisfaction on the part of the employe continues, the matter is carried to the local boss, foreman or superintendent, where, in the majority of cases, questions are amicably and satisfactorily settled.

Further Appeal

Further appeal is open to the aggrieved employe to the higher officers and to the president, and if satisfaction is not had here, the court of last appeal may be the Industrial Commission of the State, where such a commission exists; the State Labor Board, or a committee of arbitration. Experience proves that the vast

majority of difficulties which occur in an industry arise between the workmen and subordinate officers with whom they are in daily contact.

These petty officials are sometimes arbitrary, and it is by their attitude and action that the higher officials and the stockholders are judged. Obviously, the right of appeal from their decision is important, and, even if seldom availed of, tends of itself to modify their attitude.

A further feature of the plan is the employees' bill of rights. This covers such matters as the right to caution and suspension before discharge, except for such serious offenses as are posted at the works, the right to hold meetings at appropriate places outside of working hours, the right without discrimination to membership or non-membership in any society, fraternity or union, and the right of appeal to which reference has just been made.

Where some such plan as this has been in operation for a considerable space of time, some of the results obtained are:

First—Uninterrupted operation of the plants and increased output.

Second—Improved working and living conditions.

Third—Frequent and close contact between employees and officers.

Fourth—The elimination of grievances as disturbing factors.

Fifth—Good will developed to a high degree.

Sixth—The creation of a community spirit.

Based as it is upon principles of justice to all those interested in its operation, its success can be counted on so long as it is carried out in a spirit of sincerity and fair play. Furthermore, it is a vital factor in re-establishing personal relations between the parties in interest and developing a genuine spirit of brotherhood among them.

Here, then, would seem to be a method of providing representation which is just, which is effective, which is applicable to all employees whether organized or unorganized, to all employers whether in associations or not, which does not compete or interfere with organizations or associations in existence, and which, while developed in a single industrial plant as a unit, may be expanded to include all plants of the same industry, as well as all industries.

If the foregoing points which I have endeavored to make

are sound, might not the four parties to industry subscribe to an industrial creed somewhat as follows:

1. I believe that labor and capital are partners, not enemies; that their interests are common interests, not opposed, and that neither can attain the fullest measure of prosperity at the expense of the other, but only in association with the other.

2. I believe that the community is an essential party to industry, and that it should have adequate representation with the other parties.

3. I believe that the purpose of industry is quite as much to advance social well-being as material well-being and that in the pursuit of that purpose the interests of the community should be carefully considered, the well-being of the employes as respects living and working conditions should be fully guarded, management should be adequately recognized and capital should be justly compensated, and that failure in any of these particulars means loss to all four.

4. I believe that every man is entitled to an opportunity to earn a living, to fair wages, to reasonable hours of work and proper working conditions, to a decent home, to the opportunity to play, to learn, to worship and to love, as well as to toil, and that the responsibility rests as heavily upon industry as upon government or society, to see that these conditions and opportunities prevail.

5. I believe that industry, efficiency and initiative, wherever found, should be encouraged and adequately rewarded and that indolence, indifference and restriction of production should be discountenanced.

6. I believe that the provision of adequate means for uncovering grievances and promptly adjusting them, is of fundamental importance to the successful conduct of industry.

7. I believe that the most potent measure in bringing about industrial harmony and prosperity is adequate representation of the parties in interest; that existing forms of representation should be carefully studied and availed of in so far as they may be found to have merit and are adaptable to the peculiar conditions in the various industries.

8. I believe that the most effective structure of representation is that which is built from the bottom up, which includes all employes, and, starting with the election of representatives in each industrial plant, the formation of joint works committees, of joint district councils and annual joint conferences of

all the parties in interest in a single industrial corporation, can be extended to include all plants in the same industry, all industries in a community, in a nation and in the various nations.

9. I believe that the application of right principles never fails to effect right relations; that the letter killeth and the spirit maketh alive; that forms are wholly secondary while attitude and spirit are all important, and that only as the parties in industry are animated by the spirit of fair play, justice to all and brotherhood, will any plans which they may mutually work out succeed.

10. I believe that that man renders the greatest social service who so co-operates in the organization of industry as to afford to the largest number of men the greatest opportunity for self-development and the enjoyment by every man of those benefits which his own work adds to the wealth of civilization.

The Social Ideal

In the days when kings and queens reigned over their subjects, the gratification of the desires of those in high places was regarded as of supreme moment, but in these days the selfish pursuit of personal ends at the expense of the group can and will no longer be tolerated. Men are rapidly coming to see that human life is of infinitely greater value than material wealth, that the health, happiness and well-being of the individual, however humble, is not to be sacrificed to the selfish aggrandizement of the more fortunate or more powerful.

Modern thought is placing less emphasis on material considerations. It is recognizing that the basis of national progress, whether industrial or social, is the health, efficiency and spiritual development of the people. Never has there been a more profound belief in human life than today. Whether men work with brain or brawn, they are human beings, with the same cravings, the same aspirations, the same hatreds, the same capacity for suffering and for enjoyment.

Standpatters Face Failure

As the leaders of industry face this period of reconstruction, what will their attitude be? Will it be that of the standpatters, who take no account of the extraordinary changes which have come over the face of the civilized world and have taken place in the minds of men, who say: "What has been and is must continue to be—with our backs to the wall we will fight it out along the old lines or go down with the ship," who attempt stub-

bornly to resist the inevitable, and arming themselves to the teeth, invite open warfare with the other parties in industry, the certain outcome of which will be financial loss, inconvenience and suffering to all, the development of bitterness and hatred, and in the end the bringing about through legislation if not by force of conditions far more drastic and radical than could now be amicably arrived at through mutual concession in friendly conference?

The New Spirit

Or will it be an attitude, in which I myself profoundly believe, which takes cognizance of the inherent right and justice of the principle underlying the new order, which recognizes that mighty changes are inevitable, many of them desirable, which, not waiting until forced to adopt new methods, takes the lead in calling together the parties in interest for a round-table conference to be held in a spirit of justice, fair play and brotherhood, with a view to working out some plan for co-operation which will insure to all those concerned adequate representation, an opportunity to earn a fair wage under proper working and living conditions, with such restrictions as to hours as shall leave time not alone for food and sleep, but also for recreation and the development of the higher things of life.

Never was there such an opportunity as exists today for the industrial leader with clear vision and broad sympathy permanently to bridge the chasm that is daily gaping wider between the parties in interest and to establish a solid foundation for industrial prosperity, social improvement and national solidarity.

Future generations will rise up and call those men blessed who have the courage of their convictions, a proper appreciation of the value of human life as contrasted with material gain, and who, imbued with the spirit of brotherhood, will lay hold of the great opportunity for leadership which is open to them today.

In conclusion let it be said that upon the heads of these leaders—it matters not to which of the four parties they belong—who refuse to reorganize their industrial households in the light of the modern spirit, will rest the responsibility for such radical and drastic measures as may later be forced upon industry if the highest interests of all are not shortly considered and dealt with in a spirit of fairness. Who, I say, dares to block the wheels of progress, and to fail to recognize and seize the present opportunity of helping to usher in a new era of industrial peace and prosperity?

HOW CAN THE EMPLOYER HELP THE WORKER SATISFY HIS FUNDAMENTAL HUMAN INSTINCTS?¹

I. The Instinct of Self-Preservation

Maintain healthy working conditions. Guard against over-fatigue. Provide safety devices. No man can do his work well if he feels it is fitting him only for the scrap heap.

Provide a living wage.

Assure your men of steady jobs as long as they do their part. Let them know that, if laid off without any fault of theirs, they will be given due notice or a suitable dismissal wage. Energy dissipated in worry means loss to all concerned.

II. The Instinct of Workmanship

Find the right job, mentally and physically, for every man and the right man for every job.

Enable the man, by exact records, to have a true and accurate picture of his work and of any improvement he makes in it.

Educate him to understand what part his work plays in the whole, and the uses to be made of the product.

Encourage the workman to suggest improvements in the processes and thus stimulate personal interest.

Make it possible for the workmen to participate collectively and regularly in determining the processes of production.

Guard against the tendency to let the workers slip into dead-end jobs. Make it plain that efficiency means advancement.

Encourage promotions and the development of all-round ability.

Make your directions to workmen clear, concrete and specific and have a well thought-out plan of work. Set the men a good example as to standards of workmanship.

III. The Instinct of Self-Respect

Utilize the records of work to give the credit and standing which a good record deserves in the eyes of the employer and of fellow workers. The spirit of rivalry spurs initiative.

So far as possible, use praise as the chief incentive rather than blame or threat of dismissal. If it is really necessary to call a man down, avoid doing so before his fellow workers.

¹ By Irving Fisher, Professor of Political economy, Yale University. In the Survey for March, 29, 1919. p. 937.

Consider a man trustworthy until he has proved himself untrustworthy. Even-handed justice is recognized by saint and sinner.

IV. The Instinct of Loyalty

Encourage the men to develop a team spirit by forming an organization of some kind.

Collective bargaining, participation in shop-management, mass activities, group singing, marching in a parade, wearing a button, or cheering a baseball team will foster a united feeling.

Make the organization worth being proud of. Pride is a weather-proof cement.

Loyalty is based on justice and mutual consideration. Prove to the workman that you respect his rights and wishes. *Put yourself in his place.*

Afford an opportunity for presenting grievances and for their adjustment.

If you want overtime or special consideration from him let him, if possible, have the fun of volunteering the service.

V. The Instinct of Play

"All work and no play makes Jack a dull boy." The balanced life demands recreation which provides a safety valve for many inevitably repressed instincts. This play should be not frivolity, still less dissipation, but entertainment which will develop physical and mental health and a broadened outlook on life. A long workday makes proper play impossible, and is largely responsible for the man's resort to drink and other perversions of play.

Encourage membership on athletic teams, attendance at good movies, at reading rooms, and clubs. Have singing at the noon hour, and calisthenics to interrupt the morning and the afternoon. At least, try brief rest periods.

VI. The Instinct of Love

Conditions of employment should, in every way possible, conduce to happy family life. The unrest caused by bad instinctive life outside the plant is demoralizing.

A man thinks of his family as part of himself. His success means their happiness.

Do not arouse resentment by any action which affects the family welfare.

A workman with no home, or an unhappy home, is unstable.

VII. *The Instinct of Worship*

"Man shall not live by bread alone." No man should be compelled to do work which will prevent attendance at church or inspiring public meeting, or crush idealism, or warp the spirit of humanity and service.

Every man should have a religion; and his daily work should be uplifted by, and really be a part of, his religion.

In a word, your employe is a man with the same fundamental human nature as yourself. If he is to be loyal, efficient, and contented, he must have the opportunity to give expression to the best that is in him. Without self-expression no man can lead a normal life. It is *His* initiative which you should aim to encourage. This is not the ordinary offensive paternalism in which the employer takes the initiative and seeks to impose his ideas on a passive or unwilling workman.

There is no adequate self-expression without a reasonable amount of self direction. When the worker can be given a stake in the business and a voice in its management almost all the important motives are enlisted and strengthened—the motives of money-making, accumulating, creating, gaining credit, team play.

THE NEW LABOR CODE OF THE WORLD¹

Summary of Conventions and Recommendations of the International Labor Conference

I. Limitation of Hours

The working hours of persons employed in any public or private industrial undertaking or in any branch thereof other than an undertaking in which only members of the same family are employed shall not exceed eight in the day and forty-eight in the week, with the exception herein provided for.

II. Free Employment Agencies

Each member which ratifies this convention shall establish a system of free employment agencies under the control of a central authority. Committees which shall include representatives of employers and of workers, shall be appointed to advise on matters concerning the carrying on of these agencies.

¹ Survey. 43:Sec. II. December 20, 1919.

III. Unemployment Insurance

The members of the International Labor Organization which ratify this convention and which shall have established systems of insurance against unemployment shall, upon terms agreed between the members concerned, make arrangements whereby workers belonging to one member and working in the territory of another shall be admitted to the same rates of benefit of such insurance as those which obtain for the workers belonging to the latter.

IV. Recruiting of Labor

The recruiting of bodies of laborers in one country with a view to their employment in another country should be permitted only by mutual agreement between the countries concerned and after consultation with employers and workers in each country in the industries concerned.

V. Reciprocity for Workers

Each member of the International Labor Organization shall, on condition of reciprocity and upon terms to be agreed between the countries concerned, admit the foreign workers (together with their families) employed within its territory, to the benefit of its laws and regulations for the protection of its own workers, as well as to the right of lawful organization as enjoyed by its own workers.

VI. The Employment of Women

A woman shall not be permitted to work during six weeks following her confinement; shall have the right to leave her work if she produces a medical certificate stating that her confinement will probably take place within six weeks.

Women without distinction of age shall not be employed during the night in any public or private industrial undertaking.

In view of the dangers involved to the function of maternity and to the physical development of children, women and young persons under the age of eighteen years should be excluded from employment in . . . [specified processes in which lead compounds are used].

VII. The Employment of Children

Children under the age of fourteen shall not be employed in any public or private industrial undertaking or in any branch

thereof other than an undertaking in which only members of the same family are employed.

Young persons under eighteen years of age shall not be employed during the night in any public or private industrial undertaking, etc.

VIII. White Phosphorus in Matches

Each member of the International Labor Organization, which has not already done so, should adhere to the international convention adopted at Berne in 1906 on the prohibition of the use of white phosphorus in the manufacture of matches.

IX. Anthrax

Arrangements should be made for the disinfection of wool infected with anthrax spores, either in the country exporting such wool or, if that is not practicable, at the port of entry in the country importing such wool.

Foreword

In thirty days' time the International Labor Conference created the first genuine world code. The initial sessions of this pioneer congress held under the authority of the League of Nations, lasted only one month. The assemblage was convened on October 29. On November 29 the conference adjourned. Within that period twenty-five sessions were held. The conference was handicapped by the barrier of language. Translation rendered debate slow. Despite this necessity for repetition the International Labor Conference actually did its work with surprising facility.

The United States Senate consumed five months in refusing to ratify the treaty. In contrast the achievements of the labor conference stand out vividly. Employers, employes, and governmental officials showed in the international conference a capacity for cooperation and a determination to build which are good omens for the future of the League of Nations. If the delegates had been moved by petty considerations this first attempt at international legislation would have been doomed. If furthermore the International Labor Conference had failed to agree, the possibility of attaining other success under the machinery of the League of Nations would have been seriously injured.

The conference energetically and wisely concentrated its at-

tention on the program prepared for it by the Peace Conference. Able work was done. No American legislative body, certainly, has ever made such effective use of scientific methods or of expert assistance in the formulation of laws. Skilled advisers from the constituent members of the League participated. The conference drafted principles which if applied will mean enormous industrial progress everywhere. But it was not content merely to enunciate principles. Realizing that the value of a law is measured by the degree of its enforcement, the conference rightly urged that every country which accepted its recommendations and legalized its draft conventions establish the requisite machinery for inspection and enforcement.

The conference dealt with all of the five items of the agenda referred to it by the peace conference. These were:

1. Application of principle of the eight-hour day or of the forty-eight hour week.
2. Question of preventing or providing against unemployment.
3. Women's employment:
 - (a) Before and after child-birth, including the question of maternity benefit;
 - (b) During the night;
 - (c) In unhealthy processes.
4. Employment of children:
 - (a) Minimum age of employment;
 - (b) During the night;
 - (c) In unhealthy processes.
5. Extension and application of the International Conventions adopted at Berne in 1906 on the prohibition of night work for women employed in industry and the prohibition of the use of white phosphorus in the manufacture of matches.

The paragraphs which deal with the machinery of ratification are identical in each case. Consequently they are reproduced only once in this reprint. The form used for the draft conventions throughout is that here printed in full in the convention dealing with the eight-hour day and the forty-eight-hour week. The form of introduction used in connection with the recommendations is consistently that set forth in the proposal dealing with unemployment.

The principles formulated become effective only when made legal by the legislative agencies of the governments composing the **League of Nations**.

CONVENTIONS AND RECOMMENDATIONS

Draft Convention Limiting the Hours of Work in Industrial Undertakings to Eight in the Day and Forty-eight in the Week

The General Conference of the International Labor Organization of the League of Nations, Having been convened at Washington by the Government of the United States of America, on the 29th day of October, 1919, and

Having decided upon the adoption of certain proposals with regard to the "application of the principle of the eight-hours day or the forty-eight-hours week," which is the first item in the agenda for the Washington meeting of the Conference, and

Having determined that these proposals shall take the form of a draft international convention, adopts the following Draft Convention for ratification by the Members of the International Labor Organization, in accordance with the Labor Part of the Treaty of Versailles of 28 June, 1919, and of the Treaty of St. Germain of 10 September, 1919:

ARTICLE 1. For the purpose of this Convention, the term "industrial undertaking" includes particularly:

(a) Mines, quarries, and other works for the extraction of minerals from the earth.

(b) Industries in which articles are manufactured, altered, cleaned, repaired, ornamented, furnished, adapted for sale, broken up or demolished, or in which materials are transformed; including shipbuilding and the generation, transformation and transmission of electricity or motive power of any kind.

(c) Construction, reconstruction, maintenance, repair, alteration, or demolition of any building, railway, tramway, harbour, dock, pier, canal, inland waterway, road, tunnel, bridge, viaduct, sewer, drain, well, telegraphic or telephonic installation, electrical undertaking, gas work, water work or other work of construction as well as the preparation for or laying the foundations of any such work or structure.

(d) Transport of passengers, or goods, by road, rail, sea or inland waterway, including the handling of goods at docks, quays, wharves or warehouses but excluding transport by hand.

The provisions relative to transport by sea and on inland waterways shall be determined by a special conference dealing with employment at sea and on inland waterways.

The competent authority in each country shall define the line of division which separates industry from commerce and agriculture.

ARTICLE 2. The working hours of persons employed in any public or private industrial undertaking or in any branch thereof, other than an undertaking in which only members of the same family are employed, shall not exceed eight in the day and forty-eight in the week, with exceptions hereinafter provided for.

(a) The provisions of this Convention shall not apply to persons holding positions of supervision or management, nor to persons employed in a confidential capacity.

(b) Where by law, custom, or agreement between employers' and workers' organizations, or where no such organizations exist between employers' and workers' representatives, the hours of work on one or more days of the week are less than eight, the limit of hours may be exceeded on the remaining days of the week by the sanction of the competent public authority, or by agreement between such organizations or representatives; provided, however, that in no case under the provision of this paragraph shall the daily limit of eight hours be exceeded by more than one hour.

(c) Where persons are employed in shifts it shall be permissible to employ persons in excess of eight hours in any one day and forty-eight hours in any one week, if the average number of hours over a period of three weeks or less does not exceed eight per day and forty-eight per week.

ARTICLE 3. The limit of hours of work prescribed in Article 2 may be exceeded in case of accident, actual or threatened, or in case of urgent work to be done to machinery or plant, or in case of *force majeure*, but only so far as may be necessary to avoid serious interference with the ordinary working of the undertaking.

ARTICLE 4. The limit of hours of work prescribed in Article 2 may also be exceeded in those processes which are required by reason of the nature of the process to be carried on continuously by a succession of shifts, subject to the condition that the working hours shall not exceed fifty-six in the week on the average. Such regulation of the hours of work shall in no case affect any rest days which may be secured by the national law to the workers in such processes in compensation for the weekly rest day.

ARTICLE 5. In exceptional cases where it is recognized that the provisions of Article 2 cannot be applied, but only in such cases, agreements between workers' and employers' organizations concerning the daily limit of work over a longer period of time, may be given the force of regulations, if the Government, to which these agreements shall be submitted, so decides. The average number of hours worked per week, over the number of weeks covered by any such agreement, shall not exceed forty-eight.

ARTICLE 6. Regulations made by public authority shall determine for industrial undertakings:

(a) The permanent exceptions that may be allowed in preparatory or complementary work which must necessarily be carried on outside the limits laid down for the general working of an establishment, or for certain classes of workers whose work is essentially intermittent.

(b) The temporary exception that may be allowed, so that establishments may deal with exceptional cases of pressure of work.

These regulations shall be made only after consultation with the organizations of employers and workers concerned, if any such organizations exist. These regulations shall fix the maxi-

num of additional hours in each instance, and the rate of pay for overtime shall not be less than one and one-quarter times the regular rate.

ARTICLE 7. Each Government shall communicate to the International Labor Office:

(a) A list of the processes which are classed as being necessarily continuous in character under Article 4;

(b) Full information as to working of the agreements mentioned in Article 5; and

(c) Full information concerning the regulations made under Article 6 and their application.

The International Labor Office shall make an annual report thereon to the General Conference of the International Labor Organization.

ARTICLE 8. In order to facilitate the enforcement of the provisions of this Convention, every employer shall be required:

(a) To notify by means of the posting of notices in conspicuous places in the works or other suitable place, or by such other method as may be approved by the Government, the hours at which work begins and ends and where work is carried on by shifts the hours at which each shift begins and ends. These hours shall be so fixed that the duration of the work shall not exceed the limits prescribed by this Convention, and when so notified they shall not be changed except with such notice and in such manner as may be approved by the Government.

(b) To notify in the same way such rest intervals accorded during the period of work as are not reckoned as part of the working hours.

(c) To keep a record in the form prescribed by law or regulation in each country of all additional hours worked in pursuance of Article 3 and 6 of this Convention.

It shall be made an offense against the law to employ any person outside the hours fixed in accordance with paragraph (a), or during the intervals fixed in accordance with paragraph (b).

ARTICLE 9. In the application of this Convention to Japan the following modifications and conditions shall obtain:

(a) The term "industrial undertaking" includes particularly

The undertakings enumerated in paragraph (a) of Article 1;

The undertakings enumerated in paragraph (b) of Article 1, provided there are at least ten workers employed;

The undertakings enumerated in paragraph (c) of Article 1, in so far as these undertakings shall be defined as "factories" by the competent authority;

The undertakings enumerated in paragraph (d) of Article 1, except transport of passengers or goods by road, handling of goods at docks, quays, wharves, and warehouses, and transport by hand, and

Regardless of the numbers of persons employed, such of the undertakings enumerated in paragraphs (b) and (c) of Article 1 as may be declared by the competent authority either to be highly dangerous or to involve unhealthy processes.

(b) The actual working hours of persons of fifteen years of age or over in any public or private industrial undertaking, or in any branch thereof, shall not exceed fifty-seven in the week, except that in the raw-silk industry the limit may be sixty hours in the week.

(c) The actual working hours of persons under fifteen years of age in any public or private industrial undertaking, or in any branch thereof and of all miners of whatever age engaged in underground work in the mines shall in no case exceed forty-eight in the week.

(d) The limit of hours of work may be modified under the conditions provided for in Articles 2, 3, 4, and 5 of this Convention, but in no case shall the length of such modification bear to the length of the basic week a proportion greater than that which obtains in those Articles.

(e) A weekly rest period of twenty-four consecutive hours shall be allowed to all classes of workers.

(f) The provision in Japanese factory legislation limiting its application to places employing fifteen or more persons shall be amended so that such legislation shall apply to places employing ten or more persons.

(g) The provisions of the above paragraphs of this Article shall be brought into operation not later than 1 July, 1922, except that the provisions of Article 4 as modified by paragraph (d) of this Article shall be brought into operation not later than 1 July, 1923.

(h) The age of fifteen prescribed in paragraph (c) of this Article shall be raised, not later than 1 July, 1925, to sixteen.

ARTICLE 10. In British India the principle of a sixty-hour week shall be adopted for all workers in the industries at present covered by the factory acts administered by the Government of India, in mines, and in such branches of railway work as shall be specified for this purpose by the competent authority. Any modification of this limitation made by the competent authority shall be subject to the provisions of Articles 6 and 7 of this Convention. In other respects this Convention shall not apply to India, but further provisions limiting the hours of work in India shall be considered at a future meeting of the General Conference.

ARTICLE 11. The provisions of this Convention shall not apply to China, Persia, and Siam, but provisions limiting the hours of work in these countries shall be considered at a future meeting of the General Conference.

ARTICLE 12. In the application of this Convention to Greece, the date at which its provisions shall be brought into operation in accordance with Article 19 may be extended to not later than 1 July, 1923, in the case of the following industrial undertakings:

- (1) Carbon-bisulphide works.
- (2) Acid works.
- (3) Tanneries.
- (4) Paper mills.
- (5) Printing works.
- (6) Sawmills.
- (7) Warehouses for the handling and preparation of tobacco.
- (8) Surface mining.
- (9) Foundries.
- (10) Lime works.
- (11) Dye works.
- (12) Glassworks (blowers).
- (13) Gas works (firemen).
- (14) Loading and unloading merchandise.

and to not later than 1 July, 1924, in the case of the following industrial undertakings:

(1) Mechanical industries: Machine shops for engines, safes, scales, beds, tacks, shells (sporting), iron foundries, bronze foundries, tin shops, plating shops, manufactories of hydraulic apparatus.

(2) Constructional industries: Limekilns, cement works, plasterers' shops, tile yards, manufactories of bricks and pavements, potteries, marble yards, excavating and building work.

(3) Textile industries: Spinning and weaving mills of all kinds, except dye works.

(4) Food industries: Flour and gristmills, bakeries, macaroni factories, manufactories of wines, alcohol, and drinks, oil works, breweries, manufactories of ice and carbonated drinks, manufactories of confectioners' products and chocolate, manufactories of sausages and preserves, slaughterhouses, and butcher shops.

(5) Chemical industries: Manufactories of synthetic colors, glass-works (except the blowers), manufactories of essence of turpentine and tartar, manufactories of oxygen and pharmaceutical products, manufactories of flaxseed oil, manufactories of glycerine, manufactories of calcium carbide, gas works (except the firemen).

(6) Leather industries: Shoe factories, manufactories of leather goods.

(7) Paper and printing industries: Manufactories of envelopes, record books, boxes, bags, bookbinding, lithographing, and zinc-engraving shops.

(8) Clothing industries: Clothing shops, underwear and trimmings, workshops for pressing, workshops for bed coverings, artificial flowers, feathers, and trimmings, hat and umbrella factories.

(9) Woodworking industries: Joiners' shops, coopers' sheds, wagon factories, manufactories of furniture and chairs, picture-framing establishments, brush and broom factories.

(10) Electrical industries: Power houses, shops for electrical installations.

(11) Transportation by land: Employees on railroads and street cars, firemen, drivers, and carters.

ARTICLE 13. In the application of this Convention to Roumania the date at which its provisions shall be brought into operation in accordance with Article 19 may be extended to not later than 1 July, 1924.

ARTICLE 14. The operation of the provisions of this Convention may be suspended in any country by the Government in the event of war or other emergency endangering the national safety.

ARTICLE 15. The formal ratifications of this Convention, under the conditions set forth in Part XIII of the treaty of Versailles of 28 June, 1919, and of the treaty of St. Germain of 10 September, 1919, shall be communicated to the Secretary General of the League of Nations for registration.

ARTICLE 16. Each Member which ratifies this Convention engages to apply it to its colonies, protectorates and possessions which are not fully self-governing:

(a) Except where owing to the local conditions its provisions are inapplicable; or

(b) Subject to such modifications as may be necessary to adapt its provisions to local conditions.

Each member shall notify to the International Labor Office the action taken in respect of each of its colonies, protectorates, and possessions which are not fully self-governing.

ARTICLE 17. As soon as the ratifications of two Members of the International Labor Organization have been registered

with the Secretariat, the Secretary General of the League of Nations shall so notify all the Members of the International Labor Organization.

ARTICLE 18. This Convention shall come into force at the date on which such notification is issued by the Secretary General of the League of Nations, and it shall then be binding only upon those Members which have registered their ratification with the Secretariat. Thereafter this Convention will come into force for any other Member, at the date on which its ratification is registered with the Secretariat.

ARTICLE 19. Each Member which ratifies this Convention agrees to bring its provisions into operation not later than 1 July, 1921, and to take such action as may be necessary to make these provisions effective.

ARTICLE 20. A Member which has ratified this Convention may denounce it after the expiration of ten years from the date on which the Convention first comes into force, by an act communicated to the Secretary of the League of Nations for registration. Such denunciation shall not take effect until one year after the date on which it is registered with the Secretariat.

ARTICLE 21. At least once in ten years the Governing Body of the International Labor Office shall present to the General Conference a report on the working of this Convention, and shall consider the desirability of placing on the agenda of the Conference the question of its revision or modification.

ARTICLE 22. The French and English texts of this Convention shall both be authentic.

Draft Convention Concerning Unemployment

ARTICLE 1. Each Member which ratifies this Convention shall communicate to the International Labor Office, at intervals as short as possible and not exceeding three months, all available information, statistical or otherwise, concerning unemployment, including reports on measures taken or contemplated to combat unemployment. Whenever practicable, the information shall be made available for such communication not later than three months after the end of the period to which it relates.

ARTICLE 2. Each Member which ratifies this Convention shall establish a system of free public employment agencies under the control of a central authority. Committees, which shall include representatives of employers and of workers, shall be appointed to advise on matters concerning the carrying on of these agencies.

Where both public and private free employment agencies exist, steps shall be taken to coordinate the operations of such agencies on a national scale.

The operations of the various national systems shall be coordinated by the International Labor Office in agreement with the countries concerned.

ARTICLE 3. The Members of the International Labor Organization which ratify this Convention and which have established systems of insurance against unemployment shall, upon terms being agreed between the Members concerned, make arrangements whereby workers belonging to one Member and working in the territory of another shall be admitted to the same rates of benefit of such insurance as those which obtain for the workers belonging to the latter.

Recommendation Concerning Unemployment

The General Conference of the International Labor Organization of the League of Nations.

Having been convened at Washington by the Government of the United States of America on the 29th day of October, 1919 and

Having decided upon the adoption of certain proposals with regard to the "question of preventing or providing against unemployment," which is the second item in the agenda for the Washington meeting of the Conference, and

Having determined that these proposals shall take the form of a recommendation,

Adopts the following Recommendation, to be submitted to the Members of the International Labor Organization for consideration with a view to effect being given to it by national legislation or otherwise, in accordance with the Labour Part of the Treaty of Versailles of 28 June, 1919, and of the Treaty of St. Germain of 10 September, 1919:

I. The General Conference recommends that each Member of the International Labor Organization take measures to prohibit the establishment of employment agencies which charge fees or which carry on their business for profit. Where such agencies already exist, it is further recommended that they be permitted to operate only under Government licenses, and that all practicable measures be taken to abolish such agencies as soon as possible.

II. The General Conference recommends to the Members of the International Labor Organization that the recruiting of bodies of workers in one country with a view to their employment in another country should be permitted only by mutual agreement between the countries concerned and after consul-

tation with employers and workers in each country in the industries concerned.

III. The General Conference recommends that each Member of the International Labor Organization establish an effective system of unemployment insurance, either through a Government system or through a system of Government subventions to associations whose rules provide for the payment of benefits to their unemployed members.

IV. The General Conference recommends that each Member of the International Labor Organization coordinate the execution of all work undertaken under public authority, with a view to reserving such work as far as practicable for periods of unemployment and for districts most affected by it.

Recommendation Concerning Reciprocity of Treatment of Foreign Workers

The General Conference recommends that each Member of the International Labor Organization shall, on condition of reciprocity and upon terms to be agreed between the countries concerned, admit the foreign workers (together with their families) employed within its territory, to the benefit of its laws and regulations for the protection of its own workers, as well as to the right of lawful organization as enjoyed by its own workers.

Draft Convention Concerning the Employment of Women Before and After Childbirth

ARTICLE I. For the purpose of this Convention, the term "industrial undertaking" includes particularly:

(a) Mines, quarries, and other works for the extraction of minerals from the earth.

(b) Industries in which articles are manufactured, altered, cleaned, repaired, ornamented, finished, adapted for sale, broken up or demolished, or in which materials are transformed; including shipbuilding, and the generation, transformation, and transmission of electricity or motive power of any kind.

(c) Construction, reconstruction, maintenance, repair, alteration, or demolition of any building, railway, tramway, harbor, dock, pier, canal, inland waterway, road, tunnel, bridge, viaduct, sewer, drain, well, telegraphic or telephonic installation, electrical undertaking, gas work, water work, or other work of construction, as well as the preparation for or laying the foundation of any such work or structure.

(d) Transport of passengers or goods by road or rail, including the handling of goods at docks, quays, wharves, and warehouses, but excluding transport by hand.

For the purpose of this Convention, the term "commercial undertaking" includes any place where articles are sold or where commerce is carried on.

The competent authority in each country shall define the line of division which separates industry and commerce from agriculture.

ARTICLE 2. For the purpose of this Convention, the term "woman" signifies any female person, irrespective of age or nationality, whether married or unmarried, and the term "child" signifies any child whether legitimate or illegitimate.

ARTICLE 3. In any public or private industrial or commercial undertaking, or in any branch thereof, other than an undertaking in which only members of the same family are employed, a woman—

(a) Shall not be permitted to work during the six weeks following her confinement.

(b) Shall have the right to leave her work if she produces a medical certificate stating that her confinement will probably take place within six weeks.

(c) Shall, while she is absent from her work in pursuance of paragraphs (a) and (b), be paid benefits sufficient for the full and healthy maintenance of herself and her child, provided either out of public funds or by means of a system of insurance, the exact amount of which shall be determined by the competent authority in each country, and as an additional benefit shall be entitled to free attendance by a doctor or certified midwife. No mistake of the medical adviser in estimating the date of confinement shall preclude a woman from receiving these benefits from the date of the medical certificate up to the date on which the confinement actually takes place.

(d) Shall in any case, if she is nursing her child, be allowed half an hour twice a day during her working hours for this purpose.

ARTICLE 4. Where a woman is absent from her work in accordance with paragraphs (a) or (b) of Article 3 of this Convention, or remains absent from her work for a longer period as a result of illness medically certified to arise out of pregnancy or confinement and rendering her unfit for work, it shall not be lawful, until her absence shall have exceeded a maximum period to be fixed by the competent authority in each country, for her employer to give her notice of dismissal during such absence, nor to give her notice of dismissal at such a time that the notice would expire during such absence.

Draft Convention Concerning Employment of Women During the Night

ARTICLE I. For the purpose of this Convention, the term "industrial undertaking" includes particularly:

(a) Mines, quarries, and other works for the extraction of minerals from the earth.

(b) Industries in which articles are manufactured, altered, cleaned, repaired, ornamented, finished, adapted for sale, broken up or demolished, or in which materials are transformed; including shipbuilding, and the germination, transformation, and transmission of electricity or motive power of any kind.

(c) Construction, reconstruction, maintenance, repair, alteration, or

demolition of any building, railway, tramway, harbor, dock, pier, canal, inland waterway, road, tunnel, bridge, viaduct, sewer, drain, well, telegraphic or telephonic installation, electrical undertaking, gas work, water work, or other work of construction, as well as the preparation for or laying the foundations of any such work or structure.

The competent authority in each country shall define the line of division which separates industry from commerce and agriculture.

ARTICLE 2. For the purpose of this Convention, the term "night" signifies a period of at least eleven consecutive hours, including the interval between ten o'clock in the evening and five o'clock in the morning.

In those countries where no Government regulations as yet applies to the employment of women in industrial undertakings during the night, the term "night" may provisionally, and for a maximum period of three years, be declared by the Government to signify a period of only ten hours, including the interval between ten o'clock in the evening and five o'clock in the morning.

ARTICLE 3. Women without distinction of age shall not be employed during the night in any public or private industrial undertaking, or in any branch thereof, other than an undertaking in which only members of the same family are employed.

ARTICLE 4. Article 3 shall not apply:

(a) In cases of *force majeure*, when in any undertaking there occurs an interruption of work which it was impossible to foresee, and which is not of a recurring character.

(b) In cases where the work has to do with raw materials or materials in course of treatment which are subject to rapid deterioration, when such night work is necessary to preserve the said materials from certain loss.

ARTICLE 5. In India and Siam, the application of Article 3 of this Convention may be suspended by the Government in respect to any industrial undertaking, except factories as defined by the national law. Notice of every such suspension shall be filed with the International Labor Office.

ARTICLE 6. In industrial undertakings which are influenced by the seasons and in all cases where exceptional circumstances demand it, the night period may be reduced to ten hours on sixty days of the year.

ARTICLE 7. In countries where the climate renders work by day particularly trying to the health, the night period may be shorter than prescribed in the above articles, provided that compensatory rest is accorded during the day.

*Recommendation Concerning the Protection of
Women and Children Against Lead Poisoning*

The General Conference recommends to the Members of the International Labor Organization that in view of the danger involved to the function of maternity and to the physical development of children, women and young persons under the age of eighteen years be excluded from employment in the following processes:

- (a) In furnace work in the reduction of zinc or lead ores.
- (b) In the manipulation, treatment or reduction of ashes containing lead, and in the desilverizing of lead.
- (c) In melting lead or old zinc on a large scale.
- (d) In the manufacture of solder or alloys containing more than ten per cent of lead.
- (e) In the manufacture of litharge, massicot, red lead, white lead, orange lead, or sulphate, chromate or silicate (frit) of lead.
- (f) In mixing and pasting in the manufacture or repair of electric accumulators.
- (g) In the cleaning of workrooms where the above processes are carried on.

It is further recommended that the employment of women and young persons under the age of eighteen years in processes involving the use of lead compounds be permitted only subject to the following conditions:

- (a) Locally applied exhaust ventilation, so as to remove dust and fumes at the point of origin.
- (b) Cleanliness of tools and workrooms.
- (c) Notification to Government authorities of all cases of lead poisoning and compensation therefor.
- (d) Periodic medical examination of the persons employed in such processes.
- (e) Provision of sufficient and suitable cloakroom, washing, and mess-room accommodation, and of special protective clothing.
- (f) Prohibition of bringing food or drink into work rooms.

It is further recommended that in industries where soluble lead compounds can be replaced by non-toxic substances, the use of soluble lead compounds should be strictly regulated.

For the purpose of this Recommendation, a lead compound should be considered as soluble if it contains more than five per cent of its weight (estimated as metallic lead) soluble in a quarter of one per cent solution of hydrochloric acid.

*Draft Convention Fixing the Age for Admission
of Children to Industrial Employment*

ARTICLE I. For the purpose of this Convention, the term "industrial undertaking" includes particularly:

- (a) Mines, quarries and other works for the extraction of minerals from the earth.

(b) Industries in which articles are manufactured, altered, cleaned, repaired, ornamented, finished adapted for sale, broken up or demolished, or in which materials are transformed; including shipbuilding, and the generation, transformation, and transmission of electricity and motive power of all kinds.

(c) Construction, reconstruction, maintenance, repair, alteration or demolition of any building, railway, tramway, harbor, dock, pier, canal, inland waterway, road, tunnel, bridge, viaduct, sewer, drain, well, telegraphic or telephonic installation, electrical undertaking, gas work, water work, or other work of construction, as well as the preparation for or laying the foundations of any such work or structure.

(d) Transport of passengers or goods by road or rail or waterway, including the handling of goods at docks, quays, wharves, and warehouses, but excluding transport by hand.

The competent authority in each country shall define the line of division which separates industry from commerce and agriculture.

ARTICLE 2. Children under the age of fourteen years shall not be employed or work in any public or private industrial undertaking, or in any branch thereof, other than an undertaking in which only members of the same family are employed.

ARTICLE 3. The provisions of article 2 shall not apply to work done by children in technical schools, provided that such work is approved and supervised by public authority.

ARTICLE 4. In order to facilitate the enforcement of the provisions of this Convention, every employer in an industrial undertaking shall be required to keep a register of all persons under the age of sixteen years employed by him, and of the dates of their births.

ARTICLE 5. In connection with the application of this Convention to Japan, the following modifications of article 2 may be made:

(a) Children over twelve years of age may be admitted into employment if they have finished the course in the elementary school;

(b) As regards children between the ages of twelve and fourteen already employed, transitional regulations may be made.

The provision in the present Japanese law admitting children under the age of twelve years to certain light and easy employments shall be repealed.

ARTICLE 6. The provisions of article 2 shall not apply to India, but in India children under twelve years of age shall not be employed,

(a) In manufactories working with power and employing more than ten persons;

(b) In mines, quarries, and other works for the extraction of minerals from the earth;

(c) In the transport of passengers or goods or mails, by rail, or in the handling of goods at docks, quays, and wharves, but excluding transport by hand.

*Draft Convention Concerning the Night Work of
Young Persons Employed in Industry*

ARTICLE 1. For the purpose of this Convention, the term "industrial undertaking" includes particularly:

(a) Mines, quarries, and other works for the extraction of minerals from the earth.

(b) Industries in which articles are manufactured, altered, cleaned, repaired, ornamented, finished, adapted for sale, broken up, or demolished, or in which materials are transformed; including shipbuilding, and the generation transformation and transmission of electricity or motive power of any kind.

(c) Construction, reconstruction, maintenance, repair, alteration, or demolition of any building, railway, tramway, harbor, dock, pier, canal, inland waterway, road, tunnel, bridge, viaduct, sewer, drain, well, telegraphic or telephonic installation, electrical undertaking, gas work, water work, or other work of construction as well as the preparation for or laying the foundations of any such work or structure.

(d) Transport of passengers or goods by roads or rail, including the handling of goods at docks, quays, wharves, and warehouses, but excluding transport by hand.

The competent authority in each country shall define the line of division which separates industry from commerce and agriculture.

ARTICLE 2. Young persons under eighteen years of age shall not be employed during the night in any public or private industrial undertaking, or in any branch thereof, other than an undertaking in which only members of the same family are employed, except as hereinafter provided for.

Young persons over the age of sixteen may be employed during the night in the following industrial undertakings on work which by reason of the nature of the process, is required to be carried on continuously day and night:

(a) Manufacture of iron and steel; processes in which reverberatory or regenerative furnaces are used, and galvanizing of sheet metal or wire (except the pickling process).

(b) Glass works.

(c) Manufacture of paper.

(d) Manufacture of raw sugar.

(e) Gold mining reduction work.

ARTICLE 3. For the purpose of this Convention, the term "night" signifies a period of at least eleven consecutive hours, including the interval between ten o'clock in the evening and five o'clock in the morning.

In coal and lignite mines work may be carried on in the interval between ten o'clock in the evening and five o'clock in the morning, if an interval or ordinary fifteen hours, and in no case of less than thirteen hours, separates two periods of work.

Where night work in the baking industry is prohibited for all workers, the interval between nine o'clock in the evening and four o'clock in the morning may be substituted in the baking industry for the interval between ten o'clock in the evening and five o'clock in the morning.

In those tropical countries in which work is suspended during the middle of the day, the night period may be shorter than eleven hours if compensatory rest is accorded during the day.

ARTICLE 4. The provisions of Articles 2 and 3 shall not apply to the night work of young persons between the ages of sixteen and eighteen years in cases of emergencies which could not have been controlled or foreseen, which are not of a periodical character, and which interfere with the normal working of the industrial undertaking.

ARTICLE 5. In the application of this Convention to Japan, until 1 July, 1925, Article 2 shall apply only to young persons under fifteen years of age and thereafter it shall apply only to young persons under sixteen years of age.

ARTICLE 6. In the application of this Convention to India, the term "industrial undertakings" shall include only "factories" as defined in the Indian Factory Act, and Article 2 shall not apply to male young persons over fourteen years of age.

*Recommendation Concerning the Establishment
of Government Health Services*

The General Conference recommends that each Member of the International Labor Organization which has not already done so should establish as soon as possible, not only a system of efficient factory inspection, but also in addition thereto a Government service especially charged with the duty of safeguarding the health of the workers, which will keep in touch with the International Labor Office.

*Recommendation Concerning the Application of
the Berne Convention of 1906 on the Prohi-
bition of the Use of White Phosphorus in
the Manufacture of Matches*

The General Conference recommends that each Member of the International Labor Organization, which has not already done so, should adhere to the International Convention adopted at Berne in 1906 on the prohibition of the use of white phosphorus in the manufacture of matches.

Recommendation Concerning the Prevention of Anthrax

The General Conference recommends to the Members of the International Labor Organization that arrangements should be made for the disinfection of wool infected with anthrax spores, either in the country exporting such wool or if that is not practicable at the port of entry in the country importing such wool.

BRINGING ABOUT INDUSTRIAL PEACE¹

There is no automatic method of bringing about industrial peace; no panacea can be proposed. The Socialists propose a panacea. They consider that the conflict of capital and labor springs from the historical fact of private property, and that if private property, is abolished and all property made common, then there will be harmony. There will be no clashes and no conflict. They would abolish conflict and bring about industrial peace by abolishing private property, but in order to accomplish that result, they must also abolish liberty. As long as there is liberty there will be strikes, for a strike is nothing more nor less than liberty to stop work and to wait for a bargain—it is a process of negotiation—it is a scheme of withholding your property until you can agree on the terms of exchange.

The principal new thing about this situation in modern industry is that it is conducted on a large scale—much more than we have ever known before—and that is because there is more liberty than has ever been known before. It has only been two generations that the workman, under our constitution, has been free. We have a new situation. The liberty of labor is a new phenomenon, and it should not be surprising that we have not learned either to deal with the institution of property or with the liberty of the working man. They are both new problems.

I do not propose to offer any panacea because it is impossible to offer any one solution. I would, however, mention two things which seem to me impossible in the direction of a solution of labor problems or in bringing about industrial peace. Industrial peace cannot be brought about by rough methods. We have gone through considerable discussion of compulsory arbitration, and there has been a considerable reliance on the injunction and on threats. These rough methods are breaking

¹ By John R. Commons. Address, before Conference of Employment Managers. December 13, 1919. Proceedings of the National Association of Employment Managers.

down. We may put the leaders in jail, we may prevent them from using the mails and we may tie up their funds, but if beneath what the leaders are doing there is a real grievance, a real unrest and a mass movement, we cannot permanently suppress it. The rough method has about reached its limit. It has failed in the different countries where it has been tried, and recent events in this country seem to prove that we cannot resort to the rough method of bringing about industrial peace.

Then there is another method which has been resorted to more or less, the method of misrepresentation. I think the greatest offender in the method of misrepresentation is the United States Steel Corporation. They flooded this country with propaganda of Bolshevism as though the laboring people of the United States who are demanding the abolition of the twelve-hour day and the seven-day week, were animated by the desire of taking possession not only of the factories of the Steel Corporation but of all factories. Apparently, they succeeded in that propaganda and misrepresentation. You find throughout the country, not only an unrest amongst laborers but a decided unrest amongst employers. Employers have become easy-marks—anybody who has a panacea can come to an employer and lift \$100 out of his pocket-book by offering him a remedy against Bolshevism. The unrest which has been stirred up amongst employers by the Steel Corporation in its wonderful propaganda is a menace to the industrial peace of the country. Neither rough methods nor misrepresentation will permanently bring about industrial peace.

If we cannot rely upon these methods of the past, what is going to be the method and what can we offer as a remedy in bringing about industrial peace? In my judgment, the method is one, not of a year or two years, but of many years. It is the method of prevention. We must investigate the conditions which cause this industrial unrest and we must prepare in advance to remove the conditions which cause conflict to waken up.

Last February the Administration at Washington might have known what was going to happen in the coal-mining industry. The Administration had all of the means of knowing how many hours' work the men were getting in the week; they had the means of knowing that after the Armistice was signed employment fell off; that during the winter months and on through the summer, the men were not working half time, or two-thirds of the time; that in the winter they were compelled to sell their Liberty Bonds; they were compelled to eat up their savings and

there was great suffering in many parts of the mining districts. Anyone who attended that convention of the mine workers' opinion, could not for a minute conceive that their unrest was ers coming up out of the ground in one great solid, unanimous opinion, could not for a minute conceive that their unrest was the work only of agitators and leaders. They were not officials, they were not the salaried leaders defending their jobs. They were the actual mine workers sent there by the local unions to protest against conditions.

They made a great statistical blunder and perpetrated an economic fallacy. Their statistical blunder, owing to the lack of proper statistical information, led them to ask for an increase of 60% in their wages. They figured it out accurately, according to the light which they had. Their statistician had figured that their cost of living had gone up about 104%, whereas, as a matter of fact, it had gone up only 80%—they had taken wholesale price rather than retail price. They figured their wages had gone up 44% and they wanted another 60%, and, added to the 44% on the 1914 basis, that would have brought them up exactly even with the cost of living.

Their economic fallacy was based on the idea that by restricting the hours of labor to six they could force industry to equalize employment throughout the year. The impression was generally spread over the country that what they intended to do was to restrict the output by cutting the hours from eight to six. We all know now that what they were really trying to do was to distribute the work evenly through out the year. A man working in a coal mine often does not know until the whistle blows in the evening whether there will be work tomorrow or not. When he goes to work in the morning he does not know whether he will have two, three, four, five, or eight hours of work. Living in this state of uncertainty, not simply for the year, but for twenty or thirty years, the mine worker has been brought up on the conviction that each time he reduces the hours of labor, he forces the employer to distribute the work more evenly. He is not asking for less work, he is asking for steady work.

The Administration at Washington should have known these conditions and circumstances. They had the correct statistical information, they knew the conditions in the industry, and at the time when the Administration lifted the ban on the operators' price of coal, they should have negotiated with the operators to bring about an adjustment of wages so as to meet accurately the cost of living.

This fluctuation of prices, this changing cost of living, has been going on for an entire century. It is not a new phenomenon. One hundred years ago, at the close of the Napoleonic wars, we had the same situation. We had it again in the 'Thirties owing to wildcat banking at that time. We had it during the Civil War, and now we have it repeated. We have had in all of these periods quite the same crude explanation of the facts—the rise of prices has always been charged up to monopolies and profiteering. It has now been charged up to restrictions by the laborers. It may be true, and no doubt it is, that there is profiteering and that there is "laying down" on the job by wage earners, but if we try to figure how much influence either profiteering or restrictions by labor has on the elevation of prices, I think we will have to conclude that if we could stop all of the profiteering and stop all of the restrictions by labor, it would not affect the total result very materially. Profiteering and restrictions are mainly results, not causes, of rising prices. The high cost of living is something that neither the employer nor the employee can prevent. It does not come from anything under the power of capital and labor to overcome, and yet it is the one great cause of uncertainty and unrest, and has been for a whole century.

The fluctuation of currency is the greatest of all the labor problems. It throws a red brick continually into capital and labor. The first great method of importance in bringing about industrial peace is the stabilizing of the dollar. If we can have a system of currency in which the great fluctuations which have been occurring in all these years could be stabilized, we would do more to stabilize industry, to bring about industrial peace, than any other one thing. In times of rising prices we have restrictions, aggressive movements; in times of falling prices, we have unemployment, bankruptcy and depression. The whole situation is rendered unstable and we are living continuously in a period of uncertainty.

I know of no way of reaching that question, which to me seems the most fundamental of all, except that remedy proposed by Irving Fisher, of stabilizing the dollar. The supply of gold and paper money and credit has increased faster than the supply of commodities and the productions of labor. If that supply of gold and paper money and credit increases faster than the supply of commodities, inevitably we shall have a general increase in prices. The world has seen again this great inflation

of the paper money of the world, of the credit system, of the banking system. The gold of Europe has come to this country and not until the gold begins to go back to Europe, not until Europe is rehabilitated, not until we can lend credit to build up Europe again, will we begin to get back to a stable condition.

It would perhaps be even more disastrous if we should figure on having in the future a return of prices to the level preceding the war. It is bad enough to have them go up as they have been going, but it will be even worse to have them go back again to the level of 1914. All of the enormous debts which have been accumulated have been incurred on a fifty-cent dollar. It would certainly depress the entire civilized world if we should try to pay off those debts on a dollar which is worth one hundred cents. It is far better to contemplate a perpetual high level of prices, a continuous and new basis, rather than go through a period of depression like that which followed the Civil War and the panic of 1873 down until 1879.

It is better for the world to get together on some plan like that proposed by Irving Fisher. If the dollar is unstable, the way to stabilize it is to change the amount of gold that is in the dollar. If prices go up, that means that the dollar is getting cheap—that means we ought to put more gold into it, and that will tend to keep the general level of prices from rising. If prices are going down, the dollar is getting dear, and we need to take a little of the gold out of it. Convert all of the gold into bullion; change the amount of gold in the dollar every month according to the movement of prices; check a too-rapid increase and restrain the decrease in prices by changing the amount of gold in the dollar, and then circulate the bullion certificates, which we are practically accustomed to, instead of the gold itself. This program of stabilizing the dollar is the most fundamental of all problems that industry can consider. We are not yet seriously considering it but it lies underneath all of our problems.

Yet we know that a remedy of this kind will not be coming very soon. Consequently, the best that can be done is for employers and employees to adjust themselves to that situation. We must adjust ourselves, because capital and labor cannot prevent this fluctuation.

I know of only one great constructive plan in this country (there may be others) on a national scale which has attempted to bring about industrial peace by meeting the situation of the currency, and that is the plan which is now being worked out in

the book and job printing business with the labor organizations. With this increased cost of living, the printing business did not raise wages. They had their agreements that had not expired and did not provide for raising wages. But in two or three places in the country, in New York, Chicago and Seattle, the local unions violated their agreements and went after the increased wages by direct action. And, although the employing printers contended that they could not pay the increase, yet when they came to it, they not only paid the increase but they paid more than the increased cost of living. The only places in the United States where labor actually secured, in the book and job printing business, an increase in wages corresponding to the increase in the cost of living, was where the local unions defied their own national unions. What a lesson that was to labor in the United States! The only way we can keep up with the cost of living is by violating our agreements, by resorting to methods which we have promised not to adopt—by defying our own organizations.

Consequently, we find that the book and job printing business has come together on a national scale and is in the process of adopting the principle that employers will not wait until demands and strikes are upon them, but will automatically change the level of wages as the changing price curve moves up or down. Every six months, or at periodic intervals, a change is proposed to be made throughout the entire United States, on the initiative of the employer—not waiting for labor to make the demand, and thus head off this unrest in the localities. In doing that, the employing printers throughout the United States for the first time have joined with the national organizations of labor, where their interests are alike, and we see on a new national scale, the largest expansion of scientific management, capital and labor combining to look ahead to the future, in order to prevent industrial conflict by remedying the conditions in advance.

Of course, we have the objection that if an increase in wages causes prices to go up, and if an increase in prices provokes a further demand on the part of labor for wages to go up, we have that vicious circle. But that vicious circle cannot be avoided as long as we have inflation of currency. If we had a stabilized dollar, no matter what the relations are, the prices and wages would be stabilized in accordance with the general level of the price curve. It is a mistaken view that it is this pyramiding of wages and prices that keeps prices up. It is not the pyramid-

ing of wages and prices! It is the inflation of the world's currency, and no matter what adjustment might be made between employers and laborers, a correction of the currency of the world could stabilize prices and prevent the need of this pyramiding. That is the first and most important fundamental condition to be recognized in the conflict of capital and labor, as it appears to me.

What about restrictions of output? Everybody knows that in good times working people "lay down" on the job, no matter whether organized workers or not. People do not work as hard in good times as they do in hard times. We have the curious paradox that in good times when we ought to increase the output, labor restricts the output, and in hard times, when we don't want people to work so hard and increase the supply of production, then is when they work the hardest. A business man does not conduct his business in that way. In good times, when prices are going up, he tries to increase his output; in hard times, when prices are falling, he tries to restrict his output—he does not buy more than he can sell. In other words, labor works just the opposite of business. In good times, when prices are up, then is when labor "lays down" on the job and refuses to increase the output and keep up the supply. In hard times, when the demand has fallen off, then is when labor works the hardest and turns out the most production. It surely seems that we have been going on a wrong hypothesis in dealing with labor. It works out all right in dealing with marketing and commodities, but labor seems to work just the opposite.

We have been going on the theory that in order to get efficiency, in order to get output, in order to get laborers to work, there must be some kind of a penalty held over the working man—the penalty of unemployment, the penalty of being discharged if he does not work, if he does not do his duty, if he is not on his job. It is then that he suffers the penalty of being discharged from his job. Our method has been the rough method of disciplining labor by the penalty of unemployment.

That penalty does not work in good times; it works too much in hard times. In good times, the workman is not afraid of unemployment. What's the use? If he is discharged, he can go across the street and get another job. In hard times, when we don't want so much produced, then he works hard because he is afraid of unemployment, and cannot go across the street and get another job. The psychology of labor, both in good and in hard times, is fundamentally the psychology of a class of

people whose life is insecure, who are subject to rough methods of discipline. We cannot understand the problem of dealing with labor unless we understand that fundamental fact of insecurity of employment. It is just as vicious in good times as it is in hard times. In good times, the working man's high wages are an injury to him—he gets too much money and he does not know what to do with it, and spends it extravagantly—burns it up—and when the hard times comes, he has nothing to fall back upon. The fluctuation of earnings—great earnings in good times, falling off in hard times—is demoralizing to the character of working people.

If we have to depend upon the rough method of discharge, for getting efficiency, then we are going to keep labor continually unstable and uncertain and the character of the working man will not rise to the occasion of modern industry.

Modern capitalism is not based upon the ownership of physical things. We might see much of our machinery and our buildings destroyed by earthquake or war, but we all know that if we retain the credit system it will not be very long until all of our machinery and buildings are restored. We usually consider that the production of wealth is brought about by the union of capital, of management and labor. The capital is the physical machinery and the tools; the management is the organizing element; and labor produces the physical product. The three must, indeed, be combined, but the greatest instrument of production, the thing that really produces modern wealth, is not physical things, is not labor, is not management—it is confidence in the future—it is a credit system based on the expectation of industrial continuity, an expectation that debts will be paid. The capitalistic system is security of expectations. If we could not offer security to the investor, we might still have production of wealth. Physical things, management and labor might go on producing wealth, but you know how much wealth could be produced if it were not for our credit system. The production of wealth would fall back to what it was in Colonial times—nobody could ship his product to anybody else, and we would not trust one another. Capital is based upon security of expectations. The investor has confidence that his investment will be returned to him, that promises will be kept. That is the great producing factor in modern industry.

Now, capitalism is to blame because it has not offered, as yet, to labor that security of the job which it has offered to the investors in the security of their investments. Capitalism is

threatened because it has not furnished the working people a similar security to that which it has furnished to the investors. The working men are getting the idea throughout the world, that the elements that produce wealth are the working men and the management, and we have the Plumb plan, in which two million workers in the United States come forth to oust the credit system and let simply management and labor produce the wealth of the country. They would destroy the thing upon which the credit of the railroads is built, because they think that the producing elements are management and labor.

Well, that is much the same idea that they have in Russia and that is the fundamental notion of modern laboring people spreading throughout the world. They do not appreciate that modern capitalism is based on faith in the future; they have not themselves been given that same security. Capitalism to them is autocracy and insecurity. They have tried to get security by rough methods. Trade unionism, closed shop, union shop, and so on, are their methods of obtaining security of the job. Not until the capitalistic system, not until the great financial interests that control this country, have learned that it is just as important to furnish security for the job as it is to furnish security for the investment, will we have a permanent provision for industrial peace.

We have only begun in recent years to try to establish security of the job. The first effort made was eight or ten years ago in the workmen's compensation law—the accident compensation law. That was the first comprehensive effort to establishing security for the job. Unemployment no longer damages the man, as it did, who is hurt during employment. The next step is probably the similar treatment of sickness—sickness insurance.

In the case of accident compensation, this curious thing developed—employers vigorously fought the legislation at first because it was going to increase the cost of production and the expenses of business. But after the law was enacted and the employers were compelled by law to pay compensation, they introduced a new element in industry, they introduced a safety expert. They developed a new department of industry. I knew of an establishment that figured that if the compensation law was enacted, their premium on insurance would increase from \$5,000 to \$22,000 a year. That was what they were told by the insurance people and by their claim agent, and they were dreadfully scared. After the law was enacted, however, they changed their claim agent into a safety expert and the very first year,

instead of paying \$22,000 for compensation, or even \$3,000, it only cost them about \$2,500.

The accident compensation law has accomplished the first little step towards giving security to the job. It has shown that the only way to establish security is by making it financially profitable. And so we shall make it financially profitable to business to eliminate unemployment on account of sickness, on account of changes in seasons, on account of fluctuations in business. Labor can never accomplish this result. The only possible accomplishment of it will come when the employer puts in his personnel department, his personnel relations department, his safety men, his welfare men, and his men who stabilize employment. We know that employers who have done this have made their jobs regular—they have regularized their work.

There are many ingenious methods that can be adopted. Yet it appears to me that we cannot get the large capitalistic interests awake to this subject of stabilizing employment except that the Government take hold of it. If we had a tax on unemployment of \$1.00 a day for every man who is laid off, we should find that capitalism would put its personnel experts at work to regularize the business, and they would have no tax to pay because they would have stabilized the work.

The fundamental lines along which industrial peace is to be brought about are those which go to the psychology of the working man and substitute in his mind something like that which we have in the mind of the investor. The employer who is willing to pay compensation for unemployment, who is willing to furnish what the working man needs, knows that the working man needs to have something to wait for and needs to have confidence in the future.

I visited a number of establishments this summer, making a special study of the circumstances under which efficiency had been increasing or decreasing, and found, notwithstanding others were complaining about labor laying down on the job, yet in particular establishments output had increased. What is the secret of it? It seems to me that in all of these cases we found this—a new principle had come into the business—management had obtained a new view of labor, and I may contrast it by the history of scientific management.

Mr. Taylor, as you know, started out his wonderful development in scientific management by offering to the industrial workers a chance to better their condition. He appealed to the individual worker. But the modern personnel scientific manage-

ment appeals to the collective interests of all the workers in the business. It is beginning to recognize that the working man does not want to have high wages for himself if by doing so he seems to deprive his fellow workers of high wages. It is as though we are upon a ship on the ocean—there is only a limited amount of products to go around; the man who saves his own life and let the others go down, cannot live with his fellows afterwards. So it is with the modern working man—he is continually haunted by this feeling that there is only a limited product to be distributed, and consequently even the better ones, when appealed to individually to increase their wages, cannot stand it to go ahead too far amongst their fellow workers. If they get out of the class and become foremen and superintendents, that is one thing, but to stay in the ranks of labor and to earn much more than the others earn seems to be taking bread out of their mouths.

Modern management is learning to deal collectively with the workmen in the shop; whatever one worker does to benefit that shop will benefit all of us—we are all going to be lifted up together. We are not going to set working men competing with each other and try to get one ahead of the others, and appeal only to his self-interest. That was all right in times past when the world seemed to be full of unoccupied resources, when anybody could go out and get all he wanted and yet not take it from anybody else. Now, as we are getting closer together, as business is getting on a large scale, the man who gets more for himself seems to be taking it from the others, and so we have that solidarity of labor which is a psychology that must be recognized by all management.

That psychology should be combined with the idea that the business itself is the place where we shall have our living, our confidence in the future. I visited Mr. Ford's factory recently. Mr. Ford does not have an idea there of cultivating the efficiency of his laborers. His great profit-sharing system, as you know, is a distribution not to men who are efficient, in order to increase the output, but to men who lead a "clean and wholesome" life—they get the profit. The men who do not lead a clean and wholesome life do not get profits. John D. Rockefeller says that Ford's plant is the industrial miracle of the age. Well, the Ford plant is the psychological miracle of the age. It has not gone after efficiency first; it has gone after the clean and wholesome life. Efficiency is a by-product of the clean and wholesome life.

When I visited the White Motor Company, I was impressed with the fact that it is not in detailed methods of piece and bonus payments that they try to reach the individual and increase his production, but it is in creating the conviction in every man in that industry that that is *his* industry, that the future of that concern is *his* future. Thinking and planning for the future is the White Motor's big efficient machinery of production, just as security for investment is. Get capital to think of the security of the job and it begets efficiency of labor. We must look upon efficiency as a by-product and not as the main thing.

It seems to me, to transfer this to the national scale, here is where capitalists have fallen down. Mr. Gary has fallen down representing the capitalistic system; labor organizations have fallen down; Mr. Gompers, representing trade unionism, has fallen down; the politicians have fallen down in bringing about industrial peace.¹ Where shall we look for any people in the United States who have the preventive idea; who can look forward and plan for the future; who will base the bringing about of industrial peace on knowledge of labor and on knowledge of security? We must look for it in placing the personal relations department ahead of the engineering and commercial departments and production departments of industry. It is only in the personnel department that we find the beginnings of true scientific management, the department of scientific human relations, which appreciates and knows what are the fundamental things for labor's efficiency. If we can have our modern industry conducted as a personal relations industry, above the commercial department, above the engineering department, above the manufacturing department, above the production department, and if we could bring together on a national scale, instead, of our great financiers, instead of our great labor unions, instead of our politicians, if we could bring together those who are developing the modern personal relations method, then I think we might work out some plan for bringing about industrial peace.

Yet it is because, and to the extent that, personal relations departments are coming to recognize some form of collective bargaining or collective government, that they are fit to come forward as national leaders at this time. Socialism has no need of personal relations in management because, according to Marx's theory, "social labor power" moves on to its historic goal regard-

¹ Referring to the recent Industrial Conference called together by President Wilson, which split on the question of collective bargaining.

less of the individual will. Capitalism had no need of personal relations because capitalism was but adjustment to the laws of demand and supply over which individuals and classes have no control. But with our great corporations and associations on the one hand, and organized labor on the other, it is only by a science of *collective* management that capital and labor can work in harmony and security. It becomes then a science of political economy as well as a science of business.

The science of political economy began with individual bargaining. Adam Smith, its founder, in 1776, laid its foundation, and in an interesting and important chapter pointed out the great evil of collective action. One of the most serious things that industry had to contend with, was association of capitalists. The great evil of an association of capitalists was that when they combine, they deprive the minority of their liberty. The majority vote of the association binds the minority. Consequently, the combination—the association of capital in corporations, was condemned by him as intruding upon the liberty of the individual. He even went so far as to condemn social gatherings of merchants, for he said, "When your merchants come together, what does their conversation turn to? It turns on hatching up some conspiracy against the public."

Adam Smith started political economy upon the individualistic basis. He spoke at a time when industry was throttled by governments. The French Revolution overthrew that system. The French Revolution was an attack by the small manufacturers and merchants, the small capitalists and workers, against the Government and the governmental regulations of the time. One of the great statutes of the French Revolution was that statute which provided that no association, either of merchants, manufacturers or laborers, should be permitted. That statute stood on the statute books of France until the year 1884, when it was finally repealed. Meanwhile, there had grown up, unknown to Adam Smith, unknown to the French Revolution, our modern system of corporations. When it came to the middle of the nineteenth century, about the year 1850, for the first time, with our general incorporation laws, it was made possible for any association of capitalists to come together and form a legal association to conduct their business. Prior to that time, the only way in which you could form a corporation was by going to the Legislature and asking for a special charter. With the general incorporation laws, beginning about 1850 in this country, it became possible for any group of capitalists to get to-

gether, simply file their articles with the Secretary of State, and become an association. That violated all the principles of political economy and the French Revolution.

The modern business world is conducted upon the principle of association, of requiring the minority in a group to submit to the will of the majority, and if one person happens to be the principal stockholder, then all the minority obey the will of that one person. We are not living in the time of the French Revolution—we are living in the time of the Russian Revolution.

It differs entirely from the French Revolution in that it is based upon the principle of government by organized labor—a scheme first propounded seventy years ago by Karl Marx, that this capitalistic system must be overthrown and that now was the time for working men of the world to unite. Russia has given us the fruition of that theory, based upon the organization of labor.

Our Western civilization to-day is confronted by an entirely different situation. At the time of the French Revolution we had a new world opening up, to which the oppressed peoples might escape. This has been going on, until at the present time this new world is pretty well occupied. Great corporations have sprung into being. The natural resources are controlled, and if the working man is to have any opportunity, he cannot secure it by going West, by escaping from Europe and settling on the soil of America. When he escapes from Europe, he comes to America and works for a corporation. Capital has associated—the law has made universal the right of association on the part of capital. And with the working man coming into this new world, with the resources occupied, without any homestead law or opportunities to become independent, he can secure his advance only as he works with the thousands, for the corporation.

Furthermore, the small employers who are not formed in corporations, are more and more uniting in associations. We have all kinds of associations—associations of farmers; associations of merchants; we have associations of independent manufacturers—they are formed for all classes and purposes, and they are recognized in law. They are created into employers' associations, operating with a formal policy regarding labor, so that the modern working man is confronted with a situation where associated effort is the rule of the day; where employers have compelled employees to submit their individuality to the control of the majority in these associations and corporations.

The working man of modern life, then, is imbued largely

with these ideas which have reached their disastrous victory in Russia. He is welcoming the idea, at least toying with the idea, that by grouping together in associations he may gain from his employers that which he cannot get by escaping to the natural resources of the country. And whether we will it or not, whether we wish for it or not, the working men of modern life, insofar as they are capable of organizing, are doing so.

It is not a theory of collective negotiation of collective government that we are confronted with, it is conditions and facts. They are combining and cooperating more and more, and the more that they get intelligence, the more that they get Americanized, the more will they combine. In this combination of workingmen, they attempt to accomplish through collective power what they cannot accomplish as individuals. The feeling of solidarity is arising amongst them, the feeling that for the large majority there is no opportunity for themselves as individuals except as they move upward in a mass, that if one individual outdistances the others he is injuring the other, but that if he uses his influence in bettering his own condition so that, at the same time, it will lift up the others, then that is a desirable thing. This feeling of solidarity, this feeling of unity, is forcing him, as it were, throughout the Western world to assert what collective power he can. The employer who starts out with an idea of individual bargaining is confronted by the fact that he perhaps will not have a chance to enforce his ideas.

There are two classes of employers, you might say. There is that class of employers, corporations or individuals, who conduct their business in such a superior fashion, who have such personal relations developed with their employees, that labor has no desire to force a collective arrangement upon them. There is another class of employers, either through their own attitude or through the stress of competition, who are not free to deal with labor on these higher personal relations. Labor organization has not come into existence at all to deal with that first class of employers. It has not been provoked in order to overcome any resistance on their part. It has come in solely in order to use coercion with reference to the other class of employers. The collective dealing which we are considering is not to be considered universal—it is not to be considered as applying to all employers or all capitalists. It applies only to those who need it!

Labor organization, however, has this defect, that when once it has started, when once it has begun to apply, it stretches out

to reach all employers in a competitive area. By force of circumstances it brings the others into the fold. A small number of employers or corporations may be above the level, but a large proportion are in that field where there is a contest and a conflict going on.

If we let our vision pass from the time of Adam Smith and the French Revolution, when individual bargaining was the ideal of political economy, down to the time of the Russian Revolution, when these very corporations themselves, although they have become enormous, are treated as though they were individuals, if we allow our view to pass over this country, we shall widen our comprehension and not only have a place for the individualism which produced the French Revolution, but will have a place for that collective idea which has shown itself in the Russian Revolution.

OCCUPATIONAL HYGIENE

INDUSTRIAL LOSSES¹

Industrial work as directed in this country today is wasteful. With all the inventive genius of the American—for the records of the Patent Office show twice the output in inventions of any other nation—the fact remains that production is unnecessarily costly. There are reasons for this inherent in the factory system as now managed. But there are other reasons which arise out of a false economic hypothesis as to the essential requirements of cheap production. The two main items upon which plant managements, seeking to reduce costs, have concentrated their attention have been raw materials and wage rates, with the major attention given to the later. Most industrial controversies arise out of wage questions. And yet there is enough waste in plant management today to permit the payment of a living wage to all workers and to grant to capital a fair return on its investment. It is to the interest of labor to urge a stoppage in this leakage with the consequent salvage of wasteful expenditures, as a prerequisite to any proposed adjustment of wages if such adjustment will deny to the workers a living wage. To anyone interested in the problem of industrial hygiene, certain items of this loss stand out conspicuously. It is estimated, on the basis of numerous surveys into sickness among workers, that every year industry in the United States loses through illness about 280,000,000 working days. This represents the productive capacity of one million workers working an entire year each. More than half this loss is unnecessary and is due to preventable causes, some of which are traceable to inefficient health work in industrial communities, and more of which are due to working conditions which injure health.

This absentee rate due to sickness does not represent the full loss to industry resulting from absenteeism. Independent of the legal holidays and without considering the seasonable trades which would raise the rate much higher, absenteeism for all

¹ By Bernard J. Newman, Consulting Hygienist, U. S. Public Health Service. *American Federationist*. 26:1032-4. November, 1919.

causes runs from 60 per cent to 300 per cent more in different plants. Thus one establishment from which accurate records have been obtained from the time sheets shows an absentee rate of 10,450 days lost per year per 1,000 workers; another shows a rate of 31,860 days per 1,000 workers; a third shows a rate of 19,310 days lost per 1,000 employees, while a fourth records 21,410 days lost per 1,000 employees. Although the daily time sheet contained the records here noted, yet the management in no case had taken the record off and did not know the drain of such absenteeism. Few industrial plants tabulate their records and fewer still interpret them when they have been collected. Directing a large force of engineers and medical men in plant surveys for the past year I have been impressed with the lack of familiarity shown by plant managers with the losses resulting from a lack of continuity of employment. Cost engineering has apparently disregarded the big human factor introduced by hazardous and obnoxious trades and processes which cause accidents and sickness and has neglected as well those personnel problems which, lacking attention, increase absenteeism and contribute prominently to labor turnover—a costly inattention in that the production capacity of the plant during operation is not utilized, production processes being slowed up when the progress of materials is interfered with, because green hands are on the job or because production in a particular line is stopped pending the return of the worker. In the relatively few instances where these factors have been taken cognizance of and provisions made to reduce turnover, sickness and absenteeism, the determination of the saving resulting thereby could not be estimated because such a program was a part of a larger program involving the introduction of a more democratic principle in shop policies and management.

It is to the interest of both the employer and the employee to eliminate the causes which produce sickness and absenteeism; to the employer because he can ill afford to have the cost of production increased; to the employee because he can not afford the wages lost nor the medicine and doctor's bills incurred, let alone the more remote but certain effect of an increase in the cost of living. No item of cost in production is borne alone by the manufacturer; he passes it, or as much of it as the market will stand, on to the consumer. The workers form a large percentage of the consumers. Both are injured when the supply equals or runs short of the demand, thereby permitting the profiteer to corner the market and to force prices still farther up.

It is to the best interest of labor to see that a provision is

incorporated in all agreements made with plants calling for the installation of the latest improvements which will reduce the number and severity of occupational health hazards. Just as it is to labor's interest to insist upon a reduction of the mechanical hazards. The toll in suffering and financial loss from mechanical hazards and carelessness alone, approximating in deaths annually about an eighth of a million persons and in serious injuries about 2,000,000 more, is too great to be accepted with complacency or indifference.

The effect of all processes in industry upon the health of the workers has not been determined. In approximately 126 processes dust is alleged to be a health hazard, while in 650 processes, poisons are to be guarded against. For most of these definite engineering and other preventive measures are determinable. Where such installations have not been made the plant is alone to blame for every injury and every case of poisoning occurring therein not resulting from carelessness on the part of the employe. Moreover personal service facilities of a sanitary character in adequate ratio to the number of employes are not fads but definite aids to the maintenance of health. Insignificant as it may seem to those not working on health problems, the placement and upkeep of such facilities are also closely related to the maintenance of health.

However, it avails little if the employer installs safety devices or provides personal service equipment to reduce hazards, if the worker fails to make use of such. The most difficult problem in the promotion of industrial hygiene is how to overcome the recklessness of workers who through long exposure to occupational hazards have become blunted to their danger and object to the use of safeguards because they may in some instances cause inconvenience. Experience is a valuable teacher, but where the effect of such experience is upon the delicate mechanism of the human body or brain the correct interpretation of it can not be made by one untrained in physiology, medicine and kindred sciences. Hence the unreliability of the witness who so glibly states that "I have worked here for 20 years and have not been made sick; there is no harm in this job." Industry today, with the increased responsibility forced upon it by changed world trade conditions, can ill afford to ignore industrial sanitation and its indices, sickness, absenteeism, and labor turnover; and the industrial worker can still less afford to be indifferent toward or superior to the use of safeguards provided or which should be provided for his protection and for the increase of his efficiency.

INDUSTRIAL PHYSIOLOGY, A NEW SCIENCE¹

Industrial physiology has two objects: First, the more purely scientific one of learning how the industrial worker actually performs his work and what the conditions are under which he can work most efficiently and can produce the largest output while at the same time maintaining his body in health and in the best working condition; and, secondly, the more practical object of establishing in the factories the conditions which conduce at the same time to the maximum output and the maintenance of the maximum power of the worker. The former of these two objects is now being achieved; the latter will be achieved when it becomes clear to both employers and workers that it is to the advantage of both that industrial work be organized on a really intelligent basis and not, as heretofore, on a basis of ignorance of how the worker can do his best.

The methods by which industrial physiology is being developed are the recognized methods of all scientific investigation, namely, observation and experiment. The investigations are carried on chiefly in the factories, the workers being used as the subjects and under their actual working conditions, these conditions being changed when it is desired to compare the efficiency of one set of conditions with that of another. Exact measurements of output are made, and, where it is possible, exact tests of the physiological effects of the work are employed.

Some of the topics that have been or are being investigated and some of the results are the following:

Certain physiological and psychological tests have been employed with workers, and it appears practicable to employ some of these tests in selecting workers and assigning them to their jobs.

The output of the successive hours of the working day in different types of operations has been measured, and the daily curves of the output have been plotted. These vary with the kind of operation, but are alike in showing a reduced efficiency, indicating a growing fatigue as the day proceeds.

Reduction in the length of the working day is characterized

¹ From the new science of industrial physiology, by Frederic S. Lee, Ph. D., LL. D., professor of physiology in Columbia University. Public Health Reports for April 11, 1910, pp. 723-728. United States Public Health Service Washington. Reprinted in the Monthly Labor Review, 9:399-404. September, 1910.

by an increase in the output of the successive hours and usually by a total increase in that of the day. The optimum duration of work probably varies with the character of the work itself.

The introduction of resting periods in the working spell is accompanied, especially where the working day is long, by a total increase in the days production. A five-hour working spell, unbroken by resting periods, is probably always too long.

Overtime following a day of labor is inadvisable, as is also Sunday work following a week's labor. These tend to impair the worker.

A hot day tends to impair strength and reduce output. Every effort should be made to keep the body of the worker cool.

Night work is, in general, less efficient than daywork. Its total output is less, and this, with a long working night, falls off enormously in the early morning hours. Alternation of periods of night work with periods of daywork is more profitable than continuous night work.

Women are capable of performing a much greater variety of industrial operations than has heretofore been recognized. They should not be employed for night work. Statistics show that they are absent from their work more frequently than men. The problem of women as compared with men in industry is not that of their greater or less efficiency, but rather a problem of what types of work each sex is best fitted for.

Accidents to workers are a grave source of inefficiency. They are caused by fatigue, inexperience, speed of working, insufficient lighting, high temperature, and other factors. Many industrial accidents are preventable, and adequate provisions for first-aid measures tend to diminish the seriousness of accidents.

Food and efficiency are directly connected with one another, and suitable and adequate food can probably be best provided through the establishment of industrial canteens.

A high labor turnover is incompatible with the highest degree of efficiency. It is expensive, in that it imposes upon the employer the necessity of training new workers, and it is a serious factor in causation of accidents.

Physiological analyses of certain operations have been made by means of the cinematograph and other methods, and it has been found possible to eliminate unnecessary motions and to train workers so as to secure a more regular rhythm, such measures increasing efficiency.

The self-limitation of work on the part of workers has been studied and found to be very common. Every legitimate effort should be employed by foremen and managers to eliminate this and to induce workers to work up to their physiological capacity. Driving workers beyond their physiological capacity defeats its own ends.

Note: The results of the study of industrial physiology so far have been sufficiently encouraging to lead to the provision of support for their continuance in several countries both by Government and by private endowment. In Great Britain investigations begun by the Health of Munition Workers Committee are being carried on under the new Industrial Fatigue Research Board which was appointed jointly by the Departments of Scientific and Industrial Research and the Medical Research Committee and which has formulated an ambitious and far-reaching plan for future investigations. The Municipal Technical College of Victoria University, Manchester, has established a department of industrial administration, of which Prof. Stanley Kent, who has been carrying on an independent investigation of some phases of industrial fatigue during the past three years, is director.

While France has not yet taken definite steps toward the establishments of such a center, the work will probably not be long delayed, as such a plan of research had been outlined by the Marey Institute of Paris, under the directorship of Prof. Richet and the subdirectorship of Dr. Bull, just before the war made its immediate realization impossible.

In the United States the Public Health Service, with the cooperation of the committee on fatigue in industrial pursuits of the National Research Council and the committee on industrial fatigue of the Council of National Defense, has been conducting investigations within the scope of industrial physiology during the past 18 months and a report on them is promised in the near future. Harvard University has recently established courses in industrial health, through the financial support of a group of manufacturers. These are under the direction of a committee on industrial hygiene and are affiliated with the public-health work of Harvard University and the Massachusetts Institute of Technology. Johns Hopkins University, through its recently founded School of Hygiene and Public Health, also is expected to initiate work along similar lines.

WOMEN IN INDUSTRY

THE NEW SPIRIT IN INDUSTRY¹

Helen Frazer, writing of Women and War Work, especially in Great Britain in the midst of the war, said, "We know, though we do not often define it, that the forces we women fight in the enemy are the forces that have left women out in world affairs."

If this be true, as a description of the forces which the allied nations were opposing during the war, it is true now that the war is over, that one of the most important tests of the philosophy and the understanding of the nations that have taken part in that conflict will be their attitude toward women in industry, and more broadly their attitude toward the economic position of women.

The position of women in society in an industrial age cannot be determined apart from their economic position. It is based upon a recognition of their normal relation to economic life. But on that subject there is no agreement; there is a conflict of opinion, a conflict of forces, even in those nations which have been on the liberal side in this world's war.

Moreover, the questions concerning women in industry are part of that big question which we call the "labor problem" and constitute, therefore, not merely the center of conflicting views regarding the economic position of women, but also a vital part of that other conflict which gives rise to a different alignment of groups in accordance with their own philosophy, and their special interests.

Under the circumstances, it is difficult to find a common basis for action if we are really dealing with the fundamental aspects of this question. It is well to remember that common interests always lie deep, and that conflicts and diverging interests are in plain view on the surface. The common interests in any problem in which there is such a conflict can be pene-

¹ By Mary A. Van Kleeck, Former Director, Women in Industry Service, U. S. Department of Labor. Address delivered before the Toledo Consumers League. May 3, 1919.

trated only by the illumination of genuine faith in the overwhelming importance of the common welfare. In no other way can a true solution be found in labor disputes. We are challenged by the labor problem to a concrete expression of faith in the common welfare as our unwavering aim and allegiance. Such a point of view commits us to no easy solution and no glib and well-rounded conclusions.

It is the hope of America that our democracy is founded upon equality of opportunity for all citizens to share in the common life. The challenge today to America is to demonstrate that common action for the common good is possible in industry. Only by penetrating below the surface of the preoccupations and the prejudices of special interests, can an alliance be formed of all those who believe that the most important aim in our democracy is the common welfare. Good faith in allegiance to the true spirit of democracy is the common basis of action for all groups,—employers, workers and all other citizens.

But good faith is not to be realized in a spirit of easy acquiescence. When we talk about good will and good faith in the labor problem today, we are not summoning men to a love feast of harmony, assuming an identity of all their interests. Both groups are challenged rather to a firm insistence upon the social interests of the whole community, and it is a challenge, moreover, that may involve conflict, just to the extent that an insistence upon the common welfare, as opposed to the interests of any one group, may demand conflict. At times, the common interests will be more closely allied to the interest of one group than to that of the other, but the touchstone of any policy will be its identity with the common good, and in achieving it, the sacrifice of special interests may often be inevitable.

Now women in industry illustrate all of the difficulties of these disputed questions. A word about the facts, as they have been shown in the experience of the war, may afford a basis for clearer understanding. For the first time, during the war, explicit recognition has been given by all civilized nations to the essential national importance of women's work, especially women's work in industrial production. In a crucial period of the war, it was the War Department in Great Britain which declared that without the extension of the employment of women, England could not hope to win the war. In our own country for the first time the national government recognized the prime importance of women's work by creating federal agencies to deal

with the problems of women's work, and the very first department in which such an agency was created was, significantly enough, the Ordnance Department, which had the biggest production program of any single division of the War Department. Faced with a production program of outstanding importance, the Ordnance Department was obliged to take cognizance of labor conditions as a phase of production, and, moreover, to recognize the importance of women's work as necessary in production. That is to say, the first recognition of women's work through the establishment of a definite agency in the federal government came not primarily in order to protect women workers, but it came in order to insure the most effective use of their energies as a normal and necessary part of the productive forces of the nation.

In the experience gained through thus recognizing their importance, a new support was given to many of the claims which had been pressed before the war, for shorter hours and for a fairer basis of determination of wages. The question of hours of work was necessarily viewed during the war as a problem of production, because production was most vital to the life of the nation. From production was derived the power of the nation to do its part in the battle for civilization. In the course of finding out what conditions made for maximum production, it became clearer and clearer both abroad and in this country that there were many things we did not know and had not known before the war about the meaning of hours of work. Before the war many conflicts in industry and much loss of valuable time and energy and working days had resulted from disputes as to whether ten hours should prevail, because a day of ten hours was the practice in industry, or whether a day of nine or eight hours, which was being demanded by the workers, should be inaugurated. The usual method of settlement was the cessation of work,—the contest of power between the two groups who believed their interests on this point to be opposed.

During the war we could not decide so important a question merely on the basis of the relative strength of conflicting interests, because the essential interest of the nation was in maximum production and it was recognized as entirely possible to say "We will use science in this conflict and we will determine facts." When Great Britain was faced with a shortage of shells, the Ministry of Munitions appointed a Committee on the Health of Munition Workers, and that committee by studies of actual

output hour by hour brought in reports in which they said, first of all, that a weekly day of rest must be allowed if maximum output was to be maintained for any length of time. They then went on to show in later reports that working twelve hours a day meant less production than working ten hours a day. They discovered evidence of the necessity for the "physiological balance," which meant that the workers who went to work in the morning facing a twelve-hour day, produced less in the first ten hours of that twelve hour day than if their day were determined from the beginning as ten hours.

Moreover, as the war went on, it was shown that the first reports were very conservative. The Committee did not even declare that there should never be any longer working period than eleven or twelve hours. But each subsequent study made by that committee, appointed as it was by the Ministry responsible for producing munitions, indicated the need of a still further shortening of hours. The reports showed very clearly that by experiment unexpected things were discovered. It had been commonly accepted as true that if the individual effort were the prime consideration in a particular job, fatigue would mean, of course, that the output of that job would be decreased, but it was discovered in Great Britain that even in an automatic process where it is merely a question of tending a machine, output was more satisfactory under a shorter hour arrangement. In automatic operations, irregularity of attendance came into play and the necessity for keeping machines in motion, satisfactorily attended during the full working period, brought us back again to the fact that upon human conditions,—the physical condition of the workers,—depended the output of shells for the army in France.

Moreover, such circumstances as crowded or irregular street car service, or the lack of hot food at lunch, or crowded living conditions, or inadequate housing, were all reflected in the actual quality and quantity of cartridges and big guns that could be sent from British factories across the channel to France. In the same way in our own country some important plants were not securing the expected production, and it was reasonable to trace a connection between the effort to keep the force working ten hours a day and sixty hours a week, and the downward trend of the curve of production as it was measured by the statisticians in the Ordnance Department, who were watching that curve as the very lifeblood of the nation. They could not keep

one hundred per cent of their machines going one hundred per cent of the time, when the hours of work were too long to avoid fatigue and to insure regular attendance.

And so I think we have learned during the war two things, at least. We have learned first of all that support is given to human demands in industry, through convincing demonstration of their effects upon production; and secondly, we have learned that a whole field of knowledge remains to be discovered on the subject of working conditions and industrial relations, and that discoveries are to be made through a scientific attitude and a desire to find out the facts. In a few instances this attitude has been due very largely to the introduction of women, because with the new personnel which women represented, there was a reason for making a study of working conditions which was lacking when the plants were continuing to employ men just as they had always employed them.

During the war another change took place which affects women. Women's opportunities to work were enlarged. But, more important than this enlargement,—because it is true that women were in a variety of occupations before the war,—more significant even than a new opportunity was the new attitude of the public towards it,—the public's interest in seeing women enter new fields of work.

If we have in industry a group which is limited in its choice of occupation, a group which is expected by custom or prejudice to confine itself to certain occupational fields and not go beyond them, this group will of necessity exert a down-drag on standards. It is not only a question of giving enlarged opportunities to women, but it is a question of developing throughout industry a recognition of the right of the individual to choose the job for which that individual is best equipped, and in which he or she will, therefore, most effectively contribute to the life and the wealth of the nation. If we carry out that principle fully and logically, we shall not have barriers of custom or prejudice against the employment of women.

This freedom of choice is vital not only to standards in industry but, also, to standards of living in the home. Strange as it may seem we always have to go over the ground and prove that women are working for the same reason that people have worked for many, many centuries on this globe, that is, to earn a living. Women have worked in the past, as men also worked, under a different order and a different organization of industry,

and perhaps the new organization of industry under the factory system affected more broadly and immediately the status of men in the industrial world, whereas for women some tasks remained in the home and were performed by women without wages. The number of these tasks at home has gradually decreased.

Perhaps because of the slowness of that process, we do not realize that the process is essentially the same for women as for men. There was a time when men went into modern industry. They went in at the beginning and women have been going in more gradually. So we miss the real truth of the matter by failure to view the fundamental causes of this so-called introduction of women into industry. The important fact is simply, as has been said many times, that the conditions under which women work have changed, and much of their work is no longer done at home. Many of the tasks of women are now done under a more highly organized system. The differences in industrial development are great, however, in different parts of the country, and these differences are reflected in public sentiment about women's work. Those who live in a community where the employment of women for wages has not yet become extensive are likely to judge the whole question as it affects the nation from the standpoint of conditions in their own locality. It is in a highly developed industrial community, however, that we can best study the problem.

Women are working for the very same reason that they have worked for many centuries, and that is to contribute, first, to their own support, and, second, to the support of the family group of which they are a part. We have a certain typical family in mind which we consider the typical family in American life. It is composed of the father, the mother and the children, who are in school, and we are very likely to interpret questions of women's work in the light of that family and its needs. There are however, many families of a different composition, which are also typical in American life, and in the national standard of living all the different types have their influence.

One of these other types is the family in which the history is farther advanced than in the typical family usually chosen as the "norm." In this older family the children are grown, and the father or mother may be dead or unable to work or to contribute to the family support. In these families it is very likely to be the daughters who are the mainstay. It is upon the

work of women in industry that they depend very largely for their support. And the welfare of the younger children in these families depends very largely upon the standard of wages earned by their older sisters. Facts like these have been brought out in many official investigations.

The large investigations made by Act of Congress in 1907-08 revealed the fact that such was the typical family of women in industry. Whether it be in the mills of the north, or the mills of the south, or in an urban industry like clothing, or an industry which, like the making of glass, is more largely carried on in country districts, in all these varied communities when the families of the girls employed in these important and characteristic trades were visited, it was found that the proportion of the family income contributed by the daughters was larger in the majority of cases than the proportion contributed by the sons, while in no group did the proportion contributed by the father average higher than fifty-six per cent of the total family budget.

Now those are the facts. Whatever we may believe to be our ideal of American life, however convincingly we may be told that if the home is to be preserved, women must not go into industry, the facts are that thousands of homes are dependent very largely upon the earnings of women and that our decision as to the wages which are to be paid to women will determine in very large measure the standard of living for those thousands of families throughout the country.

That being the case, it seems to be clear in the experience of the war that the statement made officially for the first time by the federal government that there should be equal pay for equal work is a long step forward, but it does not go the whole way because it is commonly held to apply only to those occupations in which women take the place of men, and then to those occupations only if they are performed in identically the same way when women are engaged in them as they are performed when men are engaged in them. The statement of the principle of equal pay for equal work brings up the whole question of the basis of determination of women's wages. The more fundamental principle that has been enunciated again and again during the war and before the war, is that the minimum basis of wages should be the standard of subsistence for the typical American family. If we accept this principle and if we recognize the fact that the families of women wage-earners are dependent in large measure upon the earnings of women, then

there seems to be no logical reason for saying that the earnings of women should be on any other basis than the earnings of men. That is to say, that the minimum wage should cover the cost of living, not merely for the individual but for possible dependents of the individual. Over and above that, we necessarily develop differentials in wage rates corresponding to differences in skill, differences in length of service and all the other factors that normally make for difference in wages.

But whatever the accepted basis may be, it is impossible in the light of the experience during the war to defend, as socially desirable, a difference in the method of determination of the wages of women and the wages of men, based on the assumption that some occupations are men's work, rated according to men's wages, and other occupations are women's work with women's earnings as their reward. Our new conception should be that it is the individual and not the sex, that determines both the occupation and the wage.

Now in all these problems, in the question of wage rates, the question of hours of work, and especially in such a problem as that of unemployment, men and women workers have a common interest. Indeed, all of the fundamental labor problems effect both men and women. But there are also special problems in the present status of women workers.

A very serious question which came up during the war is still with us. It was the problem of a plant or a company in which there had been a long history of bitter relations between employers and workers. The moment a company of that kind which had not secured the asset of good will in human relations, whatever else it may have had to its credit, announced its plans to introduce women, no matter how necessary it might seem to be from the point of view of labor conditions in the community, or the need of the country for the particular product, at once, that company was open to the suspicion of using the war as a pretext for introducing women and hence lowering standards. This is a suspicion which we may still have ahead of us, though the war is over. Employers may in the future be under the suspicion of using women as a means of changing the balance of power between themselves and their workers, or of employing women as a means of settling industrial disputes to the advantage of the company. On the other hand, obstacles may be put into the way of the attainment of standards for women in industry, if their fellow-workers, the men, fearing a lowered

standard or unemployment, oppose blindly the employment of women.

It seems clear that both of these dangers,—exploitation by employers and the opposition of working men to wider opportunities for women,—must be met by such good will and good faith in industry as shall establish clearly for women the standard which should be established for all workers. No other way out can be found except recognition by industry itself of the need for dealing with this question as vital alike to the standards of industry and the standards of the home.

We would all agree that the employment of women in industry has a vital effect upon the home, upon children, and upon family life, and many view with misgivings the tendency to enlarge the boundaries of women's work for wages. But another point of view is reasonable. If we are entrusting to the women of the country such vital things as the care of the home and the care of the children and a very large share of responsibility for the development of family life, we cannot expect them to achieve success in these tasks if we continue to deny to women the development of their best capacity and of their best power. Far from being a movement antagonistic to the best interests of the home, the best interests of the family and the best interests of children, it is precisely on the ground of these best interests that we may view with satisfaction the enlarging area of occupations for women and the new tendency to value their work on a different basis, whether it be work for wages or whether it be unpaid work in the home.

It is the woman who is actually paid a just wage for her job who can give a demonstration of effectiveness and capacity and power, and her experience will lead us to a clearer realization of the economic contribution which women are making in the home without wages. And the job itself, appraised at its true value, releases new power in the individual who achieves it. On these grounds, it is by no means a small argument that we have for the development not merely of a protective attitude toward women in industry, but of a real recognition of women as an essential part of our whole industrial organization, and as involved everywhere in precisely the same fundamental problems as confront men of industry.

Although these problems seem to be overwhelming in their complexity, there are certain signs of a new spirit in industry which are very encouraging at this moment. If industry should

be in danger of not measuring up to the new challenge,—the challenge to prove that the ideal we have had in political life can be expressed in industry,—then the problems ahead will be serious, but there are signs of realization on the part of management in industry of the importance of devising new methods of expressing human relations. For example, the establishment of the personnel department on a more dignified basis is a recognition that the working force is at least equal in importance with the whole organization of production or finance. That recognition should go far deeper. It is sometimes a mere groping desire on the part of management to adjust methods to new conditions.

The newest and most significant of these developments are the experiments in new plans of cooperative relations with employees. These are taking the form of shop committees, which aim to represent the collective action of workers and employers. In some instances, those very experiments will give rise to the new industrial disputes, and new difficulties, especially if they be developed in plants, which as in the case of the introduction of women already cited, have had a long history of bitter relations between employers and workers. Moreover, the important question is, whether these organizations of workers which are limited to one establishment, with the workers dealing with the employer concerning working conditions in that one establishment, can be the real answer to the demand for industrial democracy, or whether the plan for collective bargaining advocated for many years by the workers themselves,—whereby the workers in all shops within a trade are joined together in an organization which in turn bargains with the employers in that trade,—has in it the elements of growth.

That is a question which we are going to be able to answer through these various experiments and that is the real value of these experiments. Their success will depend on good faith and good will. The ultimate test of their enduring value will be whether or not they will cut below special interests and emphasize the common interests and the common good. Just to the extent that they do not serve the common good and make the industry a common possession, they will necessarily fail.

Their purpose is to express the new spirit which has been released in all nations by the world conflict. This spirit may be described as a new appreciation of the position of the individual in society, and a protest against those practices in democracies,

as well as in autocracies, which gave a wholly selfish political influence to an economic power gained through failure to recognize the interests of the workers or of the community in the conduct of industry.

Another highly important sign of the times is the inclusion of labor standards in the Treaty of Peace, which signifies acceptance of the principle that the new peace must be shaped on the fundamental basis of international labor standards. The genuine application of this principle would rebuild the world on a new foundation.

The demand on industry today is that it should be able to meet these newly expressed social needs. It is true that we can decrease hours to an extent probably that we have dreamed of in the past while at the same time increasing production. But increased production under existing conditions is not the only test of practicability to be considered. The demand to be made upon industry is that it will so change its methods, and so develop efficiency, as to be able to meet these new demands, which are based primarily upon social needs. For example, consider two plants. One of them discovers that the eight hour day can be granted and production increased, while the other one discovers that to shorten hours on the basis of its present methods will decrease production. We ask of industry that the plants which the second in the illustration represents,—those which have not developed efficiency in management to enable them to insure the minimum conditions deemed necessary for the workers and citizens in a democracy,—shall measure up to a changed method of management which shall enable business to insure the standard of life set up as our goal.

Increased production and increased efficiency are obviously essential if the standard of living is to be raised. This is not only a question of fairer distribution. It is a question of enlarged production through greater efficiency all over the world, including this country of ours. But the point is that efficiency and enlarged production cannot be achieved except under guarantees that the results of increased efficiency and the results of increased production shall be a common possession. So long as we have in industry the conditions which give ground for belief that these guarantees do not exist, the co-operation of the workers in increasing production will be withheld, because their experience has shown in too many instances that increased production resulted in cuts in wage rates and that for some

reason the beneficial results did not come either to them or to the community. Industry must do away with the causes of this distrust if the vital national need of increased production is to be met, and the wealth produced which alone will make possible an adequate standard of living.

We cannot attain increased efficiency and increased production if we leave women workers out of the question. They represent at least twenty per cent of the gainfully employed population of the country. In some industries and communities the proportion is much higher. For them, as for all workers, there must be assured a share in the directing power of industry through industry itself and through the state, to the end that their special needs will not be neglected but will be merged into the whole common interest for which men and women must be held jointly responsible.

STANDARDS GOVERNING THE EMPLOYMENT OF WOMEN IN INDUSTRY¹

In peace or in war, women's work is essential to the nation. During the war the experience of all countries has shown that women were ready and able to take the places of men withdrawn for military service. So important did their work become that in Great Britain it was actually the War Department which declared that "efforts must be devoted to amplify and extend the scope of usefulness by which alone our country can hope to emerge victorious from a struggle without parallel in her long and glorious history."

The experience to which the war has drawn public attention was true before the war and will be equally true when peace is restored. Before the war the number of women gainfully employed increased in the decade before 1910 from five to eight million, of whom two million, five hundred thousand, were in manufacturing, trade, transportation or public service. Since then the indications are that in numbers and proportions, women have become increasingly important in industry.

The greater necessity for control of the standards of women's employment is due to the fact that women have been in a weaker position economically than men. Reconstruction will

¹ Set by the U. S. Department of Labor in 1918.

give an opportunity for a new up-building of safeguards to conserve alike the industrial efficiency and the health of women, and to make it impossible for selfish interests to exploit them as unwilling competitors in lowering standards of wages, hours, working conditions and industrial relations which are for the best interests of the workers, the industries and the citizenship of the country.

During the war, by vote of the War Labor Policies Board all contracts of the federal departments have contained a clause requiring full compliance with state labor laws, and in each state an official of the state labor department has been deputized by the head of the contracting departments of the federal government to co-operate with federal agencies in enforcing these provisions of the contract. This affords a basis and a precedent for continued relations between state and federal agencies in the up-building of standards for women's labor. As the number of contracts grows fewer with the coming of peace, the responsibility of the states increases. But the recognition of the national and international importance of standards of labor conditions will still be paramount since in peace, no less than in war, the nation will depend for its prosperity upon the productive efficiency of its workers. No other foundation for commercial success will be so sure as the conservation of those practices in industry which make for the free and effective co-operation of the workers. Protection of the health of women workers is vital as an economic as well as a social measure of reconstruction.

Therefore at this time in recognition of the national importance of women's work and its conditions, the federal government calls upon the industries of the country to co-operate with state and federal agencies in maintaining the standards herein set forth as a vital part of the reconstruction program of the nation. These standards have been adopted by the War Labor Policies Board.

Standards Recommended for the Employment of Women¹

I. HOURS OF LABOR

1. *Daily Hours. No Woman Shall Be Employed Or Permitted To Work More Than Eight Hours In Any One Day Or Forty-Eight hours In Any One Week. The Time When The Work*

¹ In the following outline the word "shall" and the larger type indicate these provisions which are of the most vital importance.

Of Women Employees Shall Begin And End And The Time Allowed For Meals Shall Be Posted In A Conspicuous Place In Each Work Room And A Record Shall Be kept Of The Over-Time Of Each Woman Worker.

2. *Half Holiday On Saturday.* Observance of the half-holiday should be the custom.

3. *One Day Of Rest In Seven.* Every Woman Worker Shall Have One Day Of Rest In Every Seven Days.

4. *Time For Meals.* At Least Three-Quarters Of An Hour Shall Be Allowed for a Meal.

5. *Rest Periods.* A rest period of ten minutes should be allowed in the middle of each working period without thereby increasing the length of the working day.

6. *Night Work.* No Women Shall Be Employed Between The Hours Of Ten P. M. And Six A. M.

II. WAGES

1. *Equality With Men's Wages.* Women Doing The Same Work As Men Shall Receive The Same Wages With Such Proportionate Increases As The Men Are Receiving In The Same Industry. Slight changes made in the process or in the arrangement of work should not be regarded as justifying a lower wage for a woman than for a man unless statistics of production show that the output for the job in question is less when women are employed than when men are employed. If a difference in output is demonstrated the difference in the wage rate should be based upon the difference in production for the job as a whole and not determined arbitrarily.

2. *The Basis Of Determination Of Wages.* Wages Should Be Established On The Basis Of Occupation And Not On The Basis Of Sex. The Minimum Wage Rate Should Cover The Cost Of Living For Dependents And Not Merely For The Individual.

III. WORKING CONDITIONS

1. *Comfort And Sanitation.* State labor laws and industrial codes should be consulted with reference to provisions for comfort and sanitation. Washing facilities, with hot and cold water, soap and individual towels, should be provided in sufficient number and in accessible locations to make washing before meals and at the close of the work day convenient.

Toilets should be separate for men and women, clean and accessible. Their numbers should have a standard ratio to the

number of workers employed. Workroom floors should be kept clean. Dressing rooms should be provided adjacent to washing facilities, making possible change of clothing outside the workrooms. Rest rooms should be provided. Lighting should be arranged that direct rays do not shine into the workers' eyes. Ventilation should be adequate and heat sufficient. Drinking water should be cool and accessible with individual drinking cups or bubble fountain provided. Provision should be made for the workers to secure a hot and nourishing meal eaten outside the workroom, and if no lunch rooms are accessible near the plant, a lunch room should be maintained in the establishment.

2. *Posture At Work.* Continuous standing and continuous sitting are both injurious. A seat should be provided for every woman employed and its use encouraged. It is possible and desirable to adjust the height of the chairs in relation to the height of machines or work tables, so that the worker may with equal convenience and efficiency stand or sit at her work. The seats should have backs. If the chair is high, a foot rest should be provided.

3. *Safety.* Risks from machinery, danger from fire and exposure to dust, fumes or other occupational hazards should be scrupulously guarded against by observance of standards in State and Federal codes. First aid equipment should be provided. Fire drills and other forms of education of the workers in the observance of safety regulations should be instituted.

4. *Conditions Needing Correction.* Work can be more efficiently done by either men or women if healthful conditions are established. It is usually possible to change conditions so as to remove such hazards to health as the following:

A. Constant standing or other postures causing physical strain.

B. Repeated lifting of heavy weights or other abnormally fatiguing motions.

C. Operation of mechanical devices requiring undue strength.

D. Exposure to excessive heat or excessive cold.

E. Exposure to dust, fumes, or other occupational poisons without adequate safeguards against disease.

5. *Prohibited Occupations. Women Must Not Be Employed In Occupations Involving The Use Of Poisons Which Are Proved To Be More Injurious To Women Than To Men. Such*

As Certain Processes In The Lead Industries. Subsequent rulings on the dangerous trades will be issued.

6. *Uniforms.* Uniforms with caps and comfortable shoes are desirable for health and safety in occupations for which machines are used or in which the processes are dusty.

IV. HOME WORK

1. *No Work Shall Be Given Out To Be Done In Rooms Used For Living Or Sleeping Purposes Or In Rooms Directly Connected With Living Or Sleeping Rooms In Any Dwelling Or Tenement.*

V. EMPLOYMENT MANAGEMENT

1. *Hiring, Separations And Determination Of Conditions.* In establishing satisfactory relations between a company and its employees, a personnel department is important charged with responsibility for selection, assignment, transfer or withdrawal of workers and the establishment of proper working conditions,

2. *Women In Supervisory Positions.* Where women are employed, a competent woman should be appointed as employment executive with responsibility for conditions affecting women. Women should also be appointed in supervisory positions in the departments employing women.

3. *Choice Of Occupations.* The opportunity to choose an occupation for which one is best adapted is important in safeguarding health and in insuring success in the work to be done.

VI. COOPERATION OF WORKERS IN ENFORCEMENT OF STANDARDS

1. *The Responsibility Should Not Rest Upon The Management Alone To Determine Wisely And Effectively The Conditions Which Should Be Established. The Genuine Cooperation Essential To Production Can Be Secured Only If Definite Channels Of Communication Between Employers And Groups Of Their Workers Are Established. The Need Of Creating Methods Of Joint Negotiation Between Employers And Groups Of Employees Is Especially Great In The Light Of The Critical Points Of Controversy Which May Arise In A Time Like The Present. Existing Channels Should Be Preserved And New Ones Opened If Required, To Provide Easier Access For Discussion Between Employer and Employees.*

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